PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type.~~

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~*this style type*~~ reconciles conflicts between statutes enacted by the 2002 Regular Session of the General Assembly.

HOUSE ENROLLED ACT No. 1001(ss)

AN ACT to amend the Indiana Code concerning state and local finance and to make an appropriation.

Be it enacted by the General Assembly of the State of Indiana:

SECTION 1. IC 4-4-6.1-1.1, AS AMENDED BY P.L.73-2000, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 1.1. As used in this chapter, "zone business" means any entity that accesses at least one (1) tax credit or exemption incentive available under this chapter, IC 6-1.1-20.8, ~~IC 6-2.1-3-32,~~ or IC 6-3-3-10.

SECTION 2. IC 4-4-28-14 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 14. (a) An account must earn interest at a rate that is competitive in the county where the account is located.

(b) Interest earned on an account during a taxable year is not subject to taxation under ~~IC 6-2.1,~~ IC 6-3 or IC 6-5.5.

SECTION 3. IC 4-10-13-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. The Indiana department of state revenue is hereby authorized and directed to prepare and publish each year the following report, which shall contain ~~the following data and information:~~

~~(1)~~ a recital of the number of taxpayers, the amount of gross collections, the amount of net collections, the amount of refunds,

the amount of collection allowances, the amount of administrative costs, and the amount of delinquencies by type of tax collected by the department.

~~(2) Relative to the gross income tax, a recital of the number of taxpayers, the total amount of gross income tax collected, the total amount of exemptions allowed and the total amount of nontaxable income. It shall also include a recital of the number of taxpayers and the total amount of gross income tax received from farmers, manufacturing interests, wholesalers, retailers, transportation and communication interest, public utilities, financial and insurance interests, real estate interests, personal service businesses, and salaries and wages received from every other source to the extent such information is available from gross income tax returns.~~

~~(3) A breakdown of gross income tax collections received from corporate taxpayers, from unincorporated businesses, from income taxed at the rate of three eighths of one per cent (3/8%) and one and one-half per cent (1 1/2%), and from types of businesses as described in subsection (2) of this section.~~

Such report shall be made available for inspection as soon as it is prepared and shall be published, in the manner hereinafter provided, by the Indiana state department of revenue not later than December ~~31st,~~ **31** following the end of each fiscal year.

SECTION 4. IC 4-10-21 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]:

Chapter 21. Business Cycle State Spending Controls

Sec. 1. As used in this chapter, "state spending cap" refers to the state spending cap determined under section 2 of this chapter.

Sec. 2. (a) For the state fiscal year beginning July 1, 2003, and ending June 30, 2004, the state spending cap is equal to the result determined under STEP THREE of the following formula:

STEP ONE: Determine the sum of the total of the appropriations made from the state general fund and the property tax replacement fund (including continuing appropriations) for the state fiscal year beginning July 1, 2002, and ending June 30, 2003.

STEP TWO: Subtract from the STEP ONE result two hundred forty-three million dollars ($243,000,000), which is the amount of certain reversions made by state agencies.

STEP THREE: Multiply the STEP TWO result by one and thirty-five thousandths (1.035).

(b) For the state fiscal year beginning July 1, 2004, and ending

June 30, 2005, the state spending cap is equal to the product of the result determined under subsection (a) multiplied by one and thirty-five thousandths (1.035).

(c) The state spending cap for a state fiscal year beginning after June 30, 2005, is equal to the product of the state spending growth quotient for the state fiscal year determined under section 3 of this chapter multiplied by the state spending cap for the immediately preceding state fiscal year.

(d) The state spending cap imposed under this section is increased in the initial state fiscal year in which the state receives additional revenue for deposit in the state general fund or property tax replacement fund as a result of the enactment of a law that:

(1) establishes a new tax or fee after June 30, 2002;

(2) increases the rate of a previously enacted tax or fee after June 30, 2002; or

(3) reduces or eliminates an exemption, a deduction, or a credit against a previously enacted tax or fee after June 30, 2002.

The amount of the increase is equal to the average revenue that the budget agency estimates will be raised by the legislative action in the initial two (2) full state fiscal years in which the legislative change is in effect.

(e) The state spending cap imposed under this section is decreased in the initial state fiscal year in which the state is affected by a decrease in revenue deposited in the state general fund or property tax replacement fund as the result of the enactment of a law that:

(1) eliminates a tax or fee after June 30, 2002;

(2) eliminates any part of a tax rate or fee after June 30, 2002; or

(3) establishes or increases an exemption, a deduction, or a credit against a tax or fee after June 30, 2002.

The amount of the decrease is equal to the average revenue that the budget agency estimates will be lost as a result of the legislative action in the initial two (2) full state fiscal years in which the legislative change is in effect.

Sec. 3. The budget agency shall compute a new state spending growth quotient under this section before December 31 in 2004 and each even-numbered year thereafter. The state spending growth quotient determined under this section applies to each of the state fiscal years in the immediately following biennial budget period. The state spending growth quotient to be used in the biennial

budget period is the amount determined under STEP FOUR of the following formula:

STEP ONE: For each of the six (6) calendar years immediately preceding the beginning of the first state fiscal year in a biennial budget period, divide the Indiana nonfarm personal income for the calendar year by the Indiana nonfarm personal income for the calendar year immediately preceding that calendar year.

STEP TWO: Determine the sum of the STEP ONE results.

STEP THREE: Divide the STEP TWO result by six (6).

STEP FOUR: Determine the lesser of the following:

(A) The STEP THREE quotient.

(B) One and six-hundredths (1.06).

Sec. 4. For purposes of section 3 of this chapter, Indiana nonfarm personal income is the estimate of total nonfarm personal income for Indiana in a calendar year as computed by the federal Bureau of Economic Analysis before December 31 immediately preceding the beginning of the first state fiscal year in a biennial budget period, using any:

(1) actual data available for the calendar year; and

(2) estimated data for the calendar year whenever actual data is not available.

Sec. 5. (a) The maximum total amount that may be expended in a state fiscal year from the state general fund, the property tax replacement fund, and the counter-cyclical revenue and economic stabilization fund is the least of the following:

(1) Subject to sections 6 and 7 of this chapter, the state spending cap for the state fiscal year.

(2) The amount appropriated by the general assembly from the state general fund, the property tax replacement fund, and the counter-cyclical revenue and economic stabilization fund.

(3) The amount of money available in the state general fund, the property tax replacement fund, and the counter-cyclical revenue and economic stabilization fund to pay expenditures.

(b) Subject to sections 6 and 7 of this chapter, if the state spending cap for the state fiscal year is less than the amount appropriated by the general assembly in the state fiscal year from the state general fund, the property tax replacement fund, and the counter-cyclical revenue and economic stabilization fund, the budget agency shall reduce the amounts available for expenditure from the state general fund, the property tax replacement fund, and the counter-cyclical revenue and economic stabilization fund

in the state fiscal year by using the procedures in IC 4-13-2-18.

Sec. 6. The following expenditures that would otherwise be subject to this chapter shall be excluded from all computations and determinations related to a state spending cap:

(1) Expenditures derived from money deposited in the state general fund, the property tax replacement fund, and the counter-cyclical revenue and economic stabilization fund from any of the following:

(A) Gifts.

(B) Federal funds.

(C) Dedicated funds.

(D) Intergovernmental transfers.

(E) Damage awards.

(F) Property sales.

(2) Expenditures for any of the following:

(A) Transfers of money among the state general fund, the property tax replacement fund, and the counter-cyclical revenue and economic stabilization fund.

(B) Reserve fund deposits.

(C) Refunds of intergovernmental transfers.

(D) Payment of judgments against the state and settlement payments made to avoid a judgment against the state, other than a judgment or settlement payment for failure to pay a contractual obligation or a personnel expenditure.

(E) Distributions or allocations of state tax revenues to a unit of local government under IC 36-7-13, IC 36-7-26, IC 36-7-27, IC 36-7-31, or IC 36-7-31.3.

(F) Motor vehicle excise tax replacement payments that are derived from amounts transferred to the state general fund from the lottery and gaming surplus account of the build Indiana fund.

(G) Distributions of state tax revenues collected under IC 7.1 that are payable to cities and towns.

Sec. 7. (a) An appropriation otherwise subject to the state spending cap limitation imposed by section 5 of this chapter shall be treated as exempt from the state spending cap limitation only if the general assembly specifically exempts the appropriation from the state spending cap in clear and unambiguous language contained in the bill making the appropriation.

(b) The following language shall be treated as meeting the requirements of subsection (a):

"The general assembly waives the state spending cap

limitation imposed by IC 4-10-21-5 for the state fiscal year beginning July 1, (insert the applicable year), and ending June 30, (insert the applicable year), for the following appropriation: (insert the language of the appropriation). Notwithstanding IC 4-10-21-5(a)(1), the budget agency may allot appropriations for the appropriation without making any reduction under IC 4-10-21-5(b).".

(c) Language in a bill such as "Notwithstanding IC 4-10-21" or "IC 4-10-21 does not apply to this appropriation" shall not be treated as meeting the requirements of subsection (a). The budget agency may consider the language described in this subsection or other language that does not meet the requirements of subsection (a) only in determining which appropriations to make available for expenditure under section 5(b) of this chapter.

Sec. 8. Not earlier than December 1 and not later than the first session day of the general assembly after December 31 of each even-numbered year, the budget agency shall submit a report in writing to the executive director of the legislative services agency that includes at least the following information:

(1) The state spending cap for each of the state fiscal years in the immediately following biennial budget period.

(2) The supporting data and calculations necessary for a person to independently verify the manner in which the state spending caps described in subdivision (1) were determined.

SECTION 5. IC 4-30-18-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 2. **Except as provided in IC 6-3-2,** state and local taxes, regardless of their type, may not be imposed upon any prize paid or payable under this article or upon the sale of any lottery ticket under this article.

SECTION 6. IC 4-33-2-5.6 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: **Sec. 5.6. "Cruise" means operation of a riverboat for a gambling operation while the riverboat is not moored to a dock.**

SECTION 7. IC 4-33-2-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 7. "Dock" means the location where ~~an excursion~~ **a** riverboat moors for the purpose of embarking passengers for and disembarking passengers from ~~a gambling excursion.~~ **the riverboat.**

SECTION 8. IC 4-33-2-7.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: **Sec. 7.5. "Flexible scheduling" refers to the practice of conducting gambling games and allowing the continuous ingress**

and egress of passengers for the purpose of gambling while a riverboat is docked.

SECTION 9. IC 4-33-2-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 8. "Gambling excursion" means the time during which gambling games may be operated on a riverboat **that has not implemented flexible scheduling under IC 4-33-6-21.**

SECTION 10. IC 4-33-4-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 10. **If a riverboat cruises,** the commission shall authorize the route of ~~a~~ **the** riverboat and the stops, if any, that the riverboat may make **while on a cruise.**

SECTION 11. IC 4-33-4-21.2, AS AMENDED BY P.L.215-2001, SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 21.2. (a) The Indiana gaming commission shall require a licensed owner to conspicuously display the number of the toll free telephone line described in IC 4-33-12-6 in the following locations:

(1) On each admission ticket to a riverboat ~~gambling excursion.~~ **if tickets are issued.**

(2) On a poster or placard that is on display in a public area of each riverboat where gambling games are conducted.

(b) The toll free telephone line described in IC 4-33-12-6 must be:

(1) maintained by the division of mental health and addiction under IC 12-23-1-6; and

(2) funded by the addiction services fund established by IC 12-23-2-2.

(c) The commission may adopt rules under IC 4-22-2 necessary to carry out this section.

SECTION 12. IC 4-33-6-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 9. (a) A licensed owner must post a bond with the commission at least sixty (60) days before the commencement of ~~regular~~ **gambling on the** riverboat. ~~excursions.~~

(b) The bond shall be furnished in:

(1) cash or negotiable securities;

(2) a surety bond:

(A) with a surety company approved by the commission; and

(B) guaranteed by a satisfactory guarantor; or

(3) an irrevocable letter of credit issued by a banking institution of Indiana acceptable to the commission.

(c) If a bond is furnished in cash or negotiable securities, the principal shall be placed without restriction at the disposal of the commission, but income inures to the benefit of the licensee.

(d) The bond:

(1) is subject to the approval of the commission;

(2) must be in an amount that the commission determines will adequately reflect the amount that a local community will expend for infrastructure and other facilities associated with a riverboat operation; and

(3) must be payable to the commission as obligee for use in payment of the licensed owner's financial obligations to the local community, the state, and other aggrieved parties, as determined by the rules of the commission.

(e) If after a hearing (after at least five (5) days written notice) the commission determines that the amount of a licensed owner's bond is insufficient, the licensed owner shall upon written demand of the commission file a new bond.

(f) The commission may require a licensed owner to file a new bond with a satisfactory surety in the same form and amount if:

(1) liability on the old bond is discharged or reduced by judgment rendered, payment made, or otherwise; or

(2) in the opinion of the commission any surety on the old bond becomes unsatisfactory.

(g) If a new bond obtained under subsection (e) or (f) is unsatisfactory, the commission shall cancel the owner's license. If the new bond is satisfactorily furnished, the commission shall release in writing the surety on the old bond from any liability accruing after the effective date of the new bond.

(h) A bond is released on the condition that the licensed owner remains at the site for which the owner's license is granted for the lesser of:

(1) five (5) years; or

(2) the date the commission grants a license to another licensed owner to operate from the site for which the bond was posted.

(i) A licensed owner who does not meet the requirements of subsection (h) forfeits a bond filed under this section. The proceeds of a bond that is in default under this subsection are paid to the commission for the benefit of the local unit from which the riverboat operated.

(j) The total and aggregate liability of the surety on a bond is limited to the amount specified in the bond, and the continuous nature of the bond may in no event be construed as allowing the liability of the surety under a bond to accumulate for each successive approval period during which the bond is in force.

(k) A bond filed under this section is released sixty (60) days after:

(1) the time has run under subsection (h); and

(2) a written request is submitted by the licensed owner.

SECTION 13. IC 4-33-6-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 10. (a) An owner's license issued under this chapter permits the holder to own and operate one (1) riverboat and equipment for each license.

(b) **The holder of an owner's license issued under this chapter may implement flexible scheduling for the operation of the holder's riverboat under section 21 of this chapter.**

(c) An owner's license issued under this chapter must specify the place where the riverboat must operate and dock. However, the commission may permit the riverboat to dock at a temporary dock in the applicable city for a specific period of time not to exceed one (1) year after the owner's license is issued.

~~(c)~~ **(d)** An owner's initial license expires five (5) years after the effective date of the license.

SECTION 14. IC 4-33-6-11 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 11. The commission may revoke an owner's license if:

(1) the licensee begins regular ~~riverboat excursions~~ **operations** more than twelve (12) months after receiving the commission's approval of the application for the license; and

(2) the commission determines that the revocation of the license is in the best interests of Indiana.

SECTION 15. IC 4-33-6-21 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: **Sec. 21. A licensed owner may submit a plan for flexible scheduling to the commission by a date designated by the commission. Upon receipt of an appropriate plan, the commission shall authorize flexible scheduling and the licensed owner shall implement the flexible scheduling plan by the date designated by the commission.**

SECTION 16. IC 4-33-9-2, AS AMENDED BY P.L.20-1995, SECTION 15, AND P.L.55-1995, SECTION 3, IS CORRECTED AND AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 2. (a) **This section does not apply to a riverboat that has implemented flexible scheduling under IC 4-33-6-21.**

(b) Except as provided in subsections ~~(b),~~ **(c)** and ~~(c),~~ **(d),** gambling may not be conducted while a riverboat is docked.

~~(b)~~ **(c)** If the master of the riverboat reasonably determines and certifies in writing that:

(1) specific weather conditions, water conditions, *or traffic conditions* present a danger to the riverboat and the riverboat's

passengers and crew;

(2) either the vessel or the docking facility is undergoing mechanical or structural repair;

(3) water traffic conditions present a danger to:

(A) the riverboat, riverboat passengers, and crew; or

(B) other vessels on the water; or

(4) the master has been notified that a condition exists that would cause a violation of federal law if the riverboat were to cruise;

the riverboat may remain docked and gaming may take place until the master determines that the conditions have sufficiently diminished *or been corrected* for the riverboat to safely proceed or the duration of the authorized excursion has expired.

~~(c)~~ **(d)** The commission shall by rule permit gambling to be conducted for periods of not more than thirty (30) minutes during passenger embarkation and not more than thirty (30) minutes during passenger disembarkation.

SECTION 17. IC 4-33-9-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 3. (a) Except as provided in subsection (b), **a** riverboat ~~excursions~~ **cruise** may not exceed four (4) hours for a round trip.

(b) Subsection (a) does not apply to an extended cruise that is expressly approved by the commission.

SECTION 18. IC 4-33-9-14 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 14. (a) This section applies only to a riverboat that operates from a county that is contiguous to the Ohio River.

(b) A ~~gambling excursion~~ **cruise** is permitted only when the navigable waterway for which the riverboat is licensed is navigable, as determined by the commission in consultation with the United States Army Corps of Engineers.

SECTION 19. IC 4-33-10-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 1. **(a)** A person who knowingly or intentionally:

(1) makes a false statement on an application submitted under this article;

(2) operates a gambling ~~excursion~~ **operation or a cruise** in which wagering is conducted or is to be conducted in a manner other than the manner required under this article;

(3) permits a person less than twenty-one (21) years of age to make a wager;

(4) aids, induces, or causes a person less than twenty-one (21) years of age who is not an employee of the riverboat gambling

operation to enter or attempt to enter a riverboat;

~~(4)~~ **(5)** wagers or accepts a wager at a location other than a riverboat; or

~~(5)~~ **(6)** makes a false statement on an application submitted to the commission under this article;

commits a Class A misdemeanor.

(b) A person who:

(1) is not an employee of the riverboat gambling operation;

(2) is less than twenty-one (21) years of age; and

(3) knowingly or intentionally enters or attempts to enter a riverboat;

commits a Class A misdemeanor.

SECTION 20. IC 4-33-10-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 5. An action to prosecute a crime occurring **on a riverboat while the riverboat is moored at a dock or** during a ~~gambling excursion~~ **cruise** shall be tried in the county of the dock where the riverboat ~~is based.~~ **was moored or the cruise was initiated.**

SECTION 21. IC 4-33-12-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 1. **(a) This subsection does not apply to a riverboat that has implemented flexible scheduling under IC 4-33-6-21.** A tax is imposed on admissions to gambling excursions authorized under this article at a rate of three dollars ($3) for each person admitted to the gambling excursion. This admission tax is imposed upon the licensed owner conducting the gambling excursion.

(b) This subsection applies only to a riverboat that has implemented flexible scheduling under IC 4-33-6-21. A tax is imposed on the admissions to a riverboat that has implemented flexible scheduling under IC 4-33-6-21 at a rate of three dollars ($3) for each person admitted to the riverboat. This admission tax is imposed upon the licensed owner operating the riverboat.

SECTION 22. IC 4-33-12-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 2. (a) **This section does not apply to a riverboat that has implemented flexible scheduling under IC 4-33-6-21.**

(b) If tickets are issued that may be used for admission to more than one (1) gambling excursion, the admission tax must be paid for each person using the ticket on each gambling excursion for which the ticket is used.

~~(b)~~ **(c)** If free passes or complimentary admission tickets are issued, a person who has been issued an owner's license shall pay the same tax

on the passes or complimentary tickets as if the passes or tickets were sold at the regular admission rate.

SECTION 23. IC 4-33-12-6, AS AMENDED BY P.L.178-2002, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 6. (a) The department shall place in the state general fund the tax revenue collected under this chapter.

(b) Except as provided by subsections (c) and (d) and IC 6-3.1-20-7, the treasurer of state shall quarterly pay the following amounts:

(1) **Except as provided in subsection (k),** one dollar ($1) of the admissions tax collected by the licensed owner for each person embarking on a **gambling excursion during the quarter or admitted to a** riverboat **that has implemented flexible scheduling under IC 4-33-6-21** during the quarter shall be paid to:

(A) the city in which the riverboat is docked, if the city:

(i) is located in a county having a population of more than one hundred ten thousand (110,000) but less than one hundred fifteen thousand (115,000); or

(ii) is contiguous to the Ohio River and is the largest city in the county; and

(B) the county in which the riverboat is docked, if the riverboat is not docked in a city described in clause (A).

(2) **Except as provided in subsection (k),** one dollar ($1) of the admissions tax collected by the licensed owner for each person**:**

(A) embarking on a **gambling excursion during the quarter; or**

(B) admitted to a riverboat during the quarter **that has implemented flexible scheduling under IC 4-33-6-21;**

shall be paid to the county in which the riverboat is docked. In the case of a county described in subdivision (1)(B), this one dollar ($1) is in addition to the one dollar ($1) received under subdivision (1)(B).

(3) **Except as provided in subsection (k),** ten cents ($0.10) of the admissions tax collected by the licensed owner for each person**:**

(A) embarking on a **gambling excursion during the quarter; or**

(B) admitted to a riverboat during the quarter **that has implemented flexible scheduling under IC 4-33-6-21;**

shall be paid to the county convention and visitors bureau or promotion fund for the county in which the riverboat is docked.

(4) **Except as provided in subsection (k),** fifteen cents ($0.15) of the admissions tax collected by the licensed owner for each

person**:**

(A) embarking on a **gambling excursion during the quarter; or**

(B) admitted to a riverboat during a quarter **that has implemented flexible scheduling under IC 4-33-6-21;**

shall be paid to the state fair commission, for use in any activity that the commission is authorized to carry out under IC 15-1.5-3.

(5) **Except as provided in subsection (k),** ten cents ($0.10) of the admissions tax collected by the licensed owner for each person**:**

(A) embarking on a **gambling excursion during the quarter; or**

(B) admitted to a riverboat during the quarter **that has implemented flexible scheduling under IC 4-33-6-21;**

shall be paid to the division of mental health and addiction. The division shall allocate at least twenty-five percent (25%) of the funds derived from the admissions tax to the prevention and treatment of compulsive gambling.

(6) **Except as provided in subsection (k),** sixty-five cents ($0.65) of the admissions tax collected by the licensed owner for each person embarking on a **gambling excursion during the quarter or admitted to a** riverboat during the quarter **that has implemented flexible scheduling under IC 4-33-6-21** shall be paid to the Indiana horse racing commission to be distributed as follows, in amounts determined by the Indiana horse racing commission, for the promotion and operation of horse racing in Indiana:

(A) To one (1) or more breed development funds established by the Indiana horse racing commission under IC 4-31-11-10.

(B) To a racetrack that was approved by the Indiana horse racing commission under IC 4-31. The commission may make a grant under this clause only for purses, promotions, and routine operations of the racetrack. No grants shall be made for long term capital investment or construction and no grants shall be made before the racetrack becomes operational and is offering a racing schedule.

(c) With respect to tax revenue collected from a riverboat that operates on Patoka Lake, the treasurer of state shall quarterly pay the following amounts:

(1) The counties described in IC 4-33-1-1(3) shall receive one dollar ($1) of the admissions tax collected for each person**:**

(A) embarking on **a gambling excursion during the quarter; or**

(B) admitted to the riverboat during the quarter **(if the riverboat has implemented flexible scheduling)**.

This amount shall be divided equally among the counties described in IC 4-33-1-1(3).

(2) The Patoka Lake development account established under IC 4-33-15 shall receive one dollar ($1) of the admissions tax collected for each person**:**

(A) embarking on **a gambling excursion during the quarter; or**

(B) admitted to the riverboat during the quarter **(if the riverboat has implemented flexible scheduling)**.

(3) The resource conservation and development program that:

(A) is established under 16 U.S.C. 3451 et seq.; and

(B) serves the Patoka Lake area;

shall receive forty cents ($0.40) of the admissions tax collected for each person embarking on **a gambling excursion during the quarter or admitted to** the riverboat during the quarter **(if the riverboat has implemented flexible scheduling)**.

(4) The state general fund shall receive fifty cents ($0.50) of the admissions tax collected for each person**:**

(A) embarking on **a gambling excursion during the quarter; or**

(B) admitted to the riverboat during the quarter **(if the riverboat has implemented flexible scheduling)**.

(5) The division of mental health and addiction shall receive ten cents ($0.10) of the admissions tax collected for each person**:**

(A) embarking on **a gambling excursion during the quarter; or**

(B) admitted to the riverboat during the quarter **(if the riverboat has implemented flexible scheduling)**.

The division shall allocate at least twenty-five percent (25%) of the funds derived from the admissions tax to the prevention and treatment of compulsive gambling.

(d) With respect to tax revenue collected from a riverboat that operates from a county having a population of more than four hundred thousand (400,000) but less than seven hundred thousand (700,000), the treasurer of state shall quarterly pay the following amounts:

(1) **Except as provided in subsection (k),** one dollar ($1) of the admissions tax collected by the licensed owner for each person**:**

(A) embarking on a **gambling excursion during the quarter; or**

(B) admitted to a riverboat during the quarter **that has**

implemented flexible scheduling under IC 4-33-6-21;

shall be paid to the city in which the riverboat is docked.

(2) **Except as provided in subsection (k),** one dollar ($1) of the admissions tax collected by the licensed owner for each person**:**

(A) embarking on a **gambling excursion during the quarter; or**

(B) admitted to a riverboat during the quarter **that has implemented flexible scheduling under IC 4-33-6-21;**

shall be paid to the county in which the riverboat is docked.

(3) **Except as provided in subsection (k),** nine cents ($0.09) of the admissions tax collected by the licensed owner for each person**:**

(A) embarking on a **gambling excursion during the quarter; or**

(B) admitted to a riverboat during the quarter **that has implemented flexible scheduling under IC 4-33-6-21;**

shall be paid to the county convention and visitors bureau or promotion fund for the county in which the riverboat is docked.

(4) **Except as provided in subsection (k),** one ~~cents~~ **cent** ($0.01) of the admissions tax collected by the licensed owner for each person**:**

(A) embarking on a **gambling excursion during the quarter; or**

(B) admitted to a riverboat during the quarter **that has implemented flexible scheduling under IC 4-33-6-21;**

shall be paid to the northwest Indiana law enforcement training center.

(5) **Except as provided in subsection (k),** fifteen cents ($0.15) of the admissions tax collected by the licensed owner for each person**:**

(A) embarking on a **gambling excursion during the quarter; or**

(B) admitted to a riverboat during a quarter **that has implemented flexible scheduling under IC 4-33-6-21;**

shall be paid to the state fair commission for use in any activity that the commission is authorized to carry out under IC 15-1.5-3.

(6) **Except as provided in subsection (k),** ten cents ($0.10) of the admissions tax collected by the licensed owner for each person**:**

(A) embarking on **gambling excursion during the quarter; or**

(B) admitted to a a riverboat during the quarter **that has implemented flexible scheduling under IC 4-33-6-21;**

shall be paid to the division of mental health and addiction. The division shall allocate at least twenty-five percent (25%) of the funds derived from the admissions tax to the prevention and treatment of compulsive gambling.

(7) **Except as provided in subsection (k),** sixty-five cents ($0.65) of the admissions tax collected by the licensed owner for each person embarking on a **gambling excursion during the quarter or admitted to a** riverboat during the quarter **that has implemented flexible scheduling under IC 4-33-6-21** shall be paid to the Indiana horse racing commission to be distributed as follows, in amounts determined by the Indiana horse racing commission, for the promotion and operation of horse racing in Indiana:

(A) To one (1) or more breed development funds established by the Indiana horse racing commission under IC 4-31-11-10.

(B) To a racetrack that was approved by the Indiana horse racing commission under IC 4-31. The commission may make a grant under this clause only for purses, promotions, and routine operations of the racetrack. No grants shall be made for long term capital investment or construction, and no grants shall be made before the racetrack becomes operational and is offering a racing schedule.

(e) Money paid to a unit of local government under subsection (b)(1) through (b)(2), (c)(1), or (d)(1) through (d)(2):

(1) must be paid to the fiscal officer of the unit and may be deposited in the unit's general fund or riverboat fund established under IC 36-1-8-9, or both;

(2) may not be used to reduce the unit's maximum levy under IC 6-1.1-18.5, but may be used at the discretion of the unit to reduce the property tax levy of the unit for a particular year;

(3) may be used for any legal or corporate purpose of the unit, including the pledge of money to bonds, leases, or other obligations under IC 5-1-14-4; and

(4) is considered miscellaneous revenue.

(f) Money paid by the treasurer of state under subsection (b)(3) or (d)(3) shall be:

(1) deposited in:

(A) the county convention and visitor promotion fund; or

(B) the county's general fund if the county does not have a convention and visitor promotion fund; and

(2) used only for the tourism promotion, advertising, and economic development activities of the county and community.

(g) Money received by the division of mental health and addiction under subsections (b)(5), (c)(5), and (d)(6):

(1) is annually appropriated to the division of mental health and addiction;

(2) shall be distributed to the division of mental health and addiction at times during each state fiscal year determined by the budget agency; and

(3) shall be used by the division of mental health and addiction for programs and facilities for the prevention and treatment of addictions to drugs, alcohol, and compulsive gambling, including the creation and maintenance of a toll free telephone line to provide the public with information about these addictions. The division shall allocate at least twenty-five percent (25%) of the money received to the prevention and treatment of compulsive gambling.

(h) This subsection applies to the following:

(1) Each entity receiving money under subsection (b).

(2) Each entity receiving money under subsection (d)(1) through (d)(2).

(3) Each entity receiving money under subsection (d)(5) through (d)(7).

The treasurer of state shall determine the total amount of money paid by the treasurer of state to an entity subject to this subsection during the state fiscal year 2002. The amount determined under this subsection is the base year revenue for each entity subject to this subsection. The treasurer of state shall certify the base year revenue determined under this subsection to each entity subject to this subsection.

(i) This subsection applies to an entity receiving money under subsection (d)(3) or (d)(4). The treasurer of state shall determine the total amount of money paid by the treasurer of state to the entity described in subsection (d)(3) during state fiscal year 2002. The amount determined under this subsection multiplied by nine-tenths (0.9) is the base year revenue for the entity described in subsection (d)(3). The amount determined under this subsection multiplied by one-tenth (0.1) is the base year revenue for the entity described in subsection (d)(4). The treasurer of state shall certify the base year revenue determined under this subsection to each entity subject to this subsection.

(j) For state fiscal years beginning after June 30, 2002, the total amount of money distributed to an entity under this section during a state fiscal year may not exceed the entity's base year revenue as

determined under subsection (h) or (i). If the treasurer of state determines that the total amount of money distributed to an entity under this section during a state fiscal year is less than the entity's base year revenue, the treasurer of state shall make a supplemental distribution to the entity under IC 4-33-13-5(f).

(k) For state fiscal years beginning after June 30, 2002, the treasurer of state shall pay that part of the riverboat admissions taxes that:

(1) exceed a particular entity's base year revenue; and

(2) would otherwise be due to the entity under this section;

to the property tax replacement fund instead of to the entity.

SECTION 24. IC 4-33-13-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 1. (a) **This section does not apply to a riverboat that has implemented flexible scheduling under IC 4-33-6-21.**

(b) A tax is imposed on the adjusted gross receipts received from gambling games authorized under this article at the rate of ~~twenty~~ **twenty-two and five-tenths** percent ~~(20%)~~ **(22.5%)** of the amount of the adjusted gross receipts.

~~(b)~~ **(c)** The licensed owner shall remit the tax imposed by this chapter to the department before the close of the business day following the day the wagers are made.

~~(c)~~ **(d)** The department may require payment under this section to be made by electronic funds transfer (as defined in IC 4-8.1-2-7(e)).

~~(d)~~ **(e)** If the department requires taxes to be remitted under this chapter through electronic funds transfer, the department may allow the licensed owner to file a monthly report to reconcile the amounts remitted to the department.

~~(e)~~ **(f)** The department may allow taxes remitted under this section to be reported on the same form used for taxes paid under IC 4-33-12.

SECTION 25. IC 4-33-13-1.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: **Sec. 1.5. (a) This section applies only to a riverboat that has implemented flexible scheduling under IC 4-33-6-21.**

(b) A graduated tax is imposed on the adjusted gross receipts received from gambling games authorized under this article as follows:

(1) Fifteen percent (15%) of the first twenty-five million dollars ($25,000,000) of adjusted gross receipts received during the period beginning July 1 of each year and ending June 30 of the following year.

(2) Twenty percent (20%) of the adjusted gross receipts in excess of twenty-five million dollars ($25,000,000) but not exceeding fifty million dollars ($50,000,000) received during the period beginning July 1 of each year and ending June 30 of the following year.

(3) Twenty-five percent (25%) of the adjusted gross receipts in excess of fifty million dollars ($50,000,000) but not exceeding seventy-five million dollars ($75,000,000) received during the period beginning July 1 of each year and ending June 30 of the following year.

(4) Thirty percent (30%) of the adjusted gross receipts in excess of seventy-five million dollars ($75,000,000) but not exceeding one hundred fifty million dollars ($150,000,000) received during the period beginning July 1 of each year and ending June 30 of the following year.

(5) Thirty-five percent (35%) of all adjusted gross receipts in excess of one hundred fifty million dollars ($150,000,000).

The tax rates imposed under this section apply to adjusted gross receipts received beginning the date flexible scheduling is implemented under IC 4-33-6-21.

(c) The licensed owner shall remit the tax imposed by this chapter to the department before the close of the business day following the day the wagers are made.

(d) The department may require payment under this section to be made by electronic funds transfer (as defined in IC 4-8.1-2-7(f)).

(e) If the department requires taxes to be remitted under this chapter through electronic funds transfer, the department may allow the licensed owner to file a monthly report to reconcile the amounts remitted to the department.

(f) The department may allow taxes remitted under this section to be reported on the same form used for taxes paid under IC 4-33-12.

SECTION 26. IC 4-33-13-5, AS AMENDED BY P.L.186-2002, SECTION 11, AND AS AMENDED BY P.L.178-2002, SECTION 3, IS CORRECTED AND AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 5. **(a)** After funds are appropriated under section 4 of this chapter, each month the treasurer of state shall distribute the tax revenue deposited in the state gaming fund under this chapter to the following:

(1) **The first thirty-three million dollars ($33,000,000) of tax revenues collected under this chapter shall be set aside for revenue sharing under subsection (d).**

(2) Subject to subsection (b), twenty-five percent (25%) of the **remaining** tax revenue remitted by each licensed owner shall be paid:

(A) to the city that is designated as the home dock of the riverboat from which the tax revenue was collected, in the case of:

(i) a city described in IC 4-33-12-6(b)(1)(A); *or*

(ii) a city located in a county having a population of more than four hundred thousand (400,000) but less than seven hundred thousand (700,000);

(B) in equal shares to the counties described in IC 4-33-1-1(3), in the case of a riverboat whose home dock is on Patoka Lake; or

(C) to the county that is designated as the home dock of the riverboat from which the tax revenue was collected, in the case of a riverboat whose home dock is not in a city described in clause (A) or a county described in clause (B). ~~and~~

~~(2)~~ **(3)** ~~Seventy-five percent (75%) of~~ **Subject to subsection (c), the remainder of** the tax revenue remitted by each licensed owner shall be paid to the ~~build Indiana fund. *lottery and gaming surplus account.*~~ **property tax replacement fund.**

(b) For each city and county receiving money under subsection (a)(2)(A) or (a)(2)(C), the treasurer of state shall determine the total amount of money paid by the treasurer of state to the city or county during the state fiscal year 2002. The amount determined is the base year revenue for the city or county. The treasurer of state shall certify the base year revenue determined under this subsection to the city or county. The total amount of money distributed to a city or county under this section during a state fiscal year may not exceed the entity's base year revenue. For each state fiscal year beginning after June 30, 2002, the treasurer of state shall pay that part of the riverboat wagering taxes that:

(1) exceeds a particular city or county's base year revenue; and

(2) would otherwise be due to the city or county under this section;

to the property tax replacement fund instead of to the city or county.

(c) Each state fiscal year the treasurer of state shall transfer from the tax revenue remitted to the property tax replacement fund under subsection (a)(3) to the build Indiana fund an amount that when added to the following may not exceed two hundred fifty

million dollars ($250,000,000):

(1) Surplus lottery revenues under IC 4-30-17-3.

(2) Surplus revenue from the charity gaming enforcement fund under IC 4-32-10-6.

(3) Tax revenue from pari-mutuel wagering under IC 4-31-9-3.

The treasurer of state shall make transfers on a monthly basis as needed to meet the obligations of the build Indiana fund. If in any state fiscal year insufficient money is transferred to the property tax replacement fund under subsection (a)(3) to comply with this subsection, the treasurer of state shall reduce the amount transferred to the build Indiana fund to the amount available in the property tax replacement fund from the transfers under subsection (a)(3) for the state fiscal year.

(d) Before August 15 of 2003 and each year thereafter, the treasurer of state shall distribute the wagering taxes set aside for revenue sharing under subsection (a)(1) to the county treasurer of each county that does not have a riverboat according to the ratio that the county's population bears to the total population of the counties that do not have a riverboat. The county treasurer shall distribute the money received by the county under this subsection as follows:

(1) To each city located in the county according to the ratio the city's population bears to the total population of the county.

(2) To each town located in the county according to the ratio the town's population bears to the total population of the county.

(3) After the distributions required in subdivisions (1) and (2) are made, the remainder shall be retained by the county.

(e) Money received by a city, town, or county under subsection (d) may be used only:

(1) to reduce the property tax levy of the city, town, or county for a particular year (a property tax reduction under this subdivision does not reduce the maximum levy of the city, town, or county under IC 6-1.1-18.5);

(2) for deposit in a special fund or allocation fund created under IC 8-22-3.5, IC 36-7-14, IC 36-7-14.5, IC 36-7-15.1, and IC 36-7-30 to provide funding for additional credits for property tax replacement in property tax increment allocation areas;

(3) to fund sewer and water projects, including storm water

management projects; or

(4) for police and fire pensions.

However, not more than twenty percent (20%) of the money received under subsection (d) may be used for the purpose described in subdivision (4).

(f) Before September 15 of 2003 and each year thereafter, the treasurer of state shall determine the total amount of money distributed to an entity under IC 4-33-12-6 during the preceding state fiscal year. If the treasurer of state determines that the total amount of money distributed to an entity under IC 4-33-12-6 during the preceding state fiscal year was less than the entity's base year revenue (as determined under IC 4-33-12-6), the treasurer of state shall make a supplemental distribution to the entity from taxes collected under this chapter and deposited into the property tax replacement fund. The amount of the supplemental distribution is equal to the difference between the entity's base year revenue (as determined under IC 4-33-12-6) and the total amount of money distributed to the entity during the preceding state fiscal year under IC 4-33-12-6.

SECTION 27. IC 4-33-18 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]:

Chapter 18. Indiana Department of Gaming Research

Sec. 1. As used in this chapter, "department" means the Indiana department of gaming research.

Sec. 2. The Indiana department of gaming research is established as an agency of the state of Indiana for the purpose of enhancing the gaming industry in Indiana through research and analysis.

Sec. 3. The department is under the control of the governor, who shall appoint or employ the executive director and other persons that the governor considers necessary.

Sec. 4. (a) The executive director, with the governor's approval, may employ individuals as are necessary to perform the various functions of the department.

(b) The executive director and the budget agency shall set the compensation for the department's employees.

Sec. 5. The department shall research and analyze data and public policy issues relating to all aspects of gaming in Indiana for the enhancement of:

(1) the Indiana lottery under IC 4-30;

(2) pari-mutuel horse racing under IC 4-31;

(3) charity gaming under IC 4-32; and

(4) riverboat casino gambling under IC 4-33.

Sec. 6. The department shall study and make findings and recommendations on the following:

(1) Alternative methods of taxing gaming entities, including taxes based upon the size of a riverboat or the number of gaming positions on board a riverboat.

(2) The impact of flexible boarding on the gaming industry.

(3) The impact of breed development programs and sire stakes racing in Indiana.

(4) Any other issue considered appropriate by the department or suggested by:

(A) the Indiana lottery commission;

(B) the Indiana horse racing commission;

(C) the department of state revenue; or

(D) the Indiana gaming commission.

Sec. 7. The executive director shall submit the department's findings and recommendations to the governor and the legislative council.

Sec. 8. The department shall impose an annual fee of twenty-five thousand dollars ($25,000) upon the following:

(1) Each licensed owner operating a riverboat in Indiana.

(2) Each permit holder (as defined in IC 4-31-2-14) operating a live pari-mutuel horse racing facility in Indiana.

Sec. 9. (a) Nothing in this chapter may be construed to limit the powers or responsibilities of:

(1) the Indiana lottery commission under IC 4-30;

(2) the Indiana horse racing commission under IC 4-31;

(3) the department of state revenue under IC 4-32; or

(4) the Indiana gaming commission under IC 4-33.

(b) The department may not exercise any administrative or regulatory powers with respect to:

(1) the Indiana lottery under IC 4-30;

(2) pari-mutuel horse racing under IC 4-31;

(3) charity gaming under IC 4-32; or

(4) riverboat casino gambling under IC 4-33.

SECTION 28. IC 6-1.1-3-22 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: **Sec. 22. (a) Except to the extent that it conflicts with a statute, 50 IAC 4.2 (as in effect January 1, 2001) is incorporated by reference into this section.**

(b) Tangible personal property within the scope of 50 IAC 4.2

(as in effect January 1, 2001) shall be assessed on the assessment dates in calendar years 2003 and thereafter in conformity with 50 IAC 4.2 (as in effect January 1, 2001).

(c) The publisher of the Indiana Administrative Code may continue to publish 50 IAC 4.2 (as in effect January 1, 2001) in the Indiana Administrative Code.

(d) 50 IAC 4.3 and any other rule to the extent that it conflicts with this section is void.

(e) A reference in 50 IAC 4.2 to a governmental entity that has been terminated or a statute that has been repealed or amended shall be treated as a reference to its successor.

SECTION 29. IC 6-1.1-8-44 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: **Sec. 44. (a) Except to the extent that it conflicts with a statute, 50 IAC 5.1 (as in effect January 1, 2001) is incorporated by reference into this section.**

(b) Tangible personal property within the scope of 50 IAC 5.1 (as in effect January 1, 2001) shall be assessed on the assessment dates in calendar years 2003 and thereafter in conformity with 50 IAC 5.1 (as in effect January 1, 2001).

(c) The publisher of the Indiana Administrative Code may continue to publish 50 IAC 5.1 (as in effect January 1, 2001) in the Indiana Administrative Code.

(d) 50 IAC 5.2 and any other rule to the extent that it conflicts with this section is void.

(e) A reference in 50 IAC 5.1 to a governmental entity that has been terminated or a statute that has been repealed or amended shall be treated as a reference to its successor.

SECTION 30. IC 6-1.1-10-29, AS AMENDED BY P.L.90-2002, SECTION 100, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 29. (a) As used in this section, "manufacturer" or "processor" means a person that performs an operation or continuous series of operations on raw materials, goods, or other personal property to alter the raw materials, goods, or other personal property into a new or changed state or form. The operation may be performed by hand, machinery, or a chemical process directed or controlled by an individual. The terms include a person that:

(1) dries or prepares grain for storage or delivery; or

(2) publishes books or other printed materials.

(b) Personal property owned by a manufacturer or processor is exempt from property taxation if the owner is able to show by adequate records that the property:

(1) is stored and remains in its original package in an in-state warehouse for the purpose of shipment, without further processing, to an out-of-state destination; ~~or~~

(2) **is inventory (as defined in IC 6-1.1-3-11) that will be used in an operation or a continuous series of operations to alter the personal property into a new or changed state or form and the resulting personal property will be shipped, or will be incorporated into personal property that will be shipped, to an out-of-state destination; or**

(3) consists of books or other printed materials that are stored at an in-state commercial printer's facility for the purpose of shipment, without further processing, to an out-of-state destination.

(c) Personal property that is manufactured in Indiana and that would be exempt under subsection ~~(b),~~ **(b)(1),** except that it is not stored in its original package, is exempt from property taxation if the owner can establish in accordance with exempt inventory procedures, regulations, and rules of the department of local government finance that:

(1) the property is ready for shipment without additional manufacturing or processing, except for packaging; and

(2) either:

(A) the property will be damaged or have its value impaired if it is stored in its original package; or

(B) the final packaging of finished inventory items is not practical until receipt of a final customer order because fulfillment of the customer order requires the accumulation of a number of distinct finished inventory items into a single shipping package.

(d) A manufacturer or processor that possesses personal property owned by another person may claim an exemption under subsection (b) or (c) if:

(1) the manufacturer or processor includes the property on the manufacturer's or processor's personal property tax return; and

(2) the manufacturer or processor is able to show that the owner of the personal property would otherwise have qualified for an exemption under subsection ~~(b)~~ **(b)(1), (b)(3),** or (c).

SECTION 31. IC 6-1.1-10-29.5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 29.5. (a) For purposes of **determining under** sections 29, 29.3, 30(a), and 30(c) of this chapter **the amount and type of personal property that is shipped or transshipped to an out-of-state destination,** the term "adequate record" includes a designation on a bill of lading, freight bill,

delivery receipt, manifest, packing slip, or an equivalent document, or a final entry in the records of the taxpayer indicating that property is held for shipment to an out-of-state destination. Such a designation for out-of-state shipment is sufficient for purposes of section 29, 29.3, 30(a), or 30(c) of this chapter even though the specific out-of-state destination of the property is not included in the designation and even though the destination of the property is unknown on the assessment date.

(b) For the purpose of substantiating the amount of his personal property which is exempt from property taxation under section 29, 29.3, 30(a), or 30(c) of this chapter **on the basis that it is being shipped or transshipped to an out-of-state destination,** a taxpayer shall maintain records that reflect the specific type and amount of personal property claimed to be exempt so that the taxpayer's taxable personal property may be distinguished from his exempt personal property. In lieu of specific identification **of the taxpayer's personal property that is shipped or transshipped to an out-of-state destination,** the taxpayer may elect to establish the value of his exempt personal property by utilizing an allocation method whereby the exempt personal property is determined by dividing:

(1) the value of the taxpayer's property shipped from the in-state warehouse to out-of-state destinations during the twelve (12) month period ending with the assessment date; by

(2) the total value of all shipments of the taxpayer's property from the in-state warehouse during the same period of time;

and applying this ratio to the taxpayer's total inventory of personal property that has been placed in the in-state warehouse, that is in the in-state warehouse as of the assessment date, and that meets the other requirements for an exemption under section 29, 29.3, 30(a), or 30(c) of this chapter. If the taxpayer uses the allocation method, he shall keep records which adequately establish the validity of the allocation.

(c) If the taxpayer elects to keep a specific inventory **under subsection (b),** he shall maintain additional records which reflect:

(1) an accurate inventory of all personal property stored in an in-state warehouse; i.e., both inventory destined for points outside the state and inventory destined for points within the state;

(2) the date of deposit of the inventory in the in-state warehouse;

(3) the date of withdrawal of the inventory from the in-state warehouse; and

(4) the point of ultimate destination of the shipments, if known.

(d) For the purposes of this section, the term "warehouse" includes a commercial printer's facility.

(e) A taxpayer may use an allocation percentage to claim an exemption under section 29(b)(2) of this chapter for a part of the person's personal property if the taxpayer's business records substantiate that the allocation percentage accurately reflects the part of the personal property that will:

(1) be used in an operation or a continuous series of operations to alter the personal property into a new or changed state or form; and

(2) in its new or changed state or form be:

(A) shipped; or

(B) incorporated into personal property that will be shipped;

to an out-of-state destination.

The percentage may include personal property that is sold to another processor or manufacturer if the personal property is incorporated into the personal property of the buyer and that personal property is shipped out of state.

SECTION 32. IC 6-1.1-12-37, AS AMENDED BY P.L.291-2001, SECTION 142, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 37. (a) Each year a person who is entitled to receive the homestead credit provided under IC 6-1.1-20.9 for property taxes payable in the following year is entitled to a standard deduction from the assessed value of the real property, mobile home not assessed as real property, or manufactured home not assessed as real property that qualifies for the homestead credit. The auditor of the county shall record and make the deduction for the person qualifying for the deduction.

(b) Except as provided in section 40.5 of this chapter, the total amount of the deduction that a person may receive under this section for a particular year is the lesser of:

(1) one-half (1/2) of the assessed value of the real property, mobile home not assessed as real property, or manufactured home not assessed as real property; or

(2) ~~six~~ **thirty-five** thousand dollars ~~($6,000).~~ **($35,000).**

(c) A person who has sold real property, a mobile home not assessed as real property, or a manufactured home not assessed as real property to another person under a contract that provides that the contract buyer is to pay the property taxes on the real property, mobile home, or manufactured home may not claim the deduction provided under this section with respect to that real property, mobile home, or manufactured home.

SECTION 33. IC 6-1.1-12-41 IS ADDED TO THE INDIANA

CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: **Sec. 41. (a) This section does not apply to assessment years beginning after December 31, 2005.**

(b) As used in this section, "assessed value of inventory" means the assessed value determined after the application of any deductions or adjustments that apply by statute or rule to the assessment of inventory, other than the deduction allowed under subsection (f).

(c) As used in this section, "county income tax council" means a council established by IC 6-3.5-6-2.

(d) As used in this section, "fiscal body" has the meaning set forth in IC 36-1-2-6.

(e) As used in this section, "inventory" has the meaning set forth in IC 6-1.1-3-11.

(f) An ordinance may be adopted in a county to provide that a deduction applies to the assessed value of inventory located in the county. The deduction is equal to one hundred percent (100%) of the assessed value of inventory located in the county for the appropriate year of assessment. An ordinance adopted under this subsection must be adopted before January 1 of a calendar year beginning after December 31, 2002. An ordinance adopted under this section in a particular year applies to each subsequent assessment year ending before January 1, 2006. An ordinance adopted under this section may be consolidated with an ordinance adopted under IC 6-3.5-7-25 or IC 6-3.5-7-26. The consolidation of an ordinance adopted under this section with an ordinance adopted under IC 6-3.5-7-26 does not cause the ordinance adopted under IC 6-3.5-7-26 to expire after December 31, 2005.

(g) An ordinance may not be adopted under subsection (f) after March 30, 2004. However, an ordinance adopted under this section may be amended after March 30, 2004, to consolidate an ordinance adopted under IC 6-3.5-7-26.

(h) The entity that may adopt the ordinance permitted under subsection (f) is:

(1) the county income tax council if the county option income tax is in effect on January 1 of the year in which an ordinance under this section is adopted;

(2) the county fiscal body if the county adjusted gross income tax is in effect on January 1 of the year in which an ordinance under this section is adopted; or

(3) the county income tax council or the county fiscal body, whichever acts first, for a county not covered by subdivision

(1) or (2).

To adopt an ordinance under subsection (f), a county income tax council shall use the procedures set forth in IC 6-3.5-6 concerning the imposition of the county option income tax. The entity that adopts the ordinance shall provide a certified copy of the ordinance to the department of local government finance before February 1.

(i) A taxpayer is not required to file an application to qualify for the deduction permitted under subsection (f).

(j) The department of local government finance shall incorporate the deduction established in this section in the personal property return form to be used each year for filing under IC 6-1.1-3-7 or IC 6-1.1-3-7.5 to permit the taxpayer to enter the deduction on the form. If a taxpayer fails to enter the deduction on the form, the township assessor shall:

(1) determine the amount of the deduction; and

(2) within the period established in IC 6-1.1-16-1, issue a notice of assessment to the taxpayer that reflects the application of the deduction to the inventory assessment.

(k) The deduction established in this section must be applied to any inventory assessment made by:

(1) an assessing official;

(2) a county property tax board of appeals; or

(3) the department of local government finance.

SECTION 34. IC 6-1.1-12-42 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: **Sec. 42. (a) As used in this section, "assessed value of inventory" means the assessed value determined after the application of any deductions or adjustments that apply by statute or rule to the assessment of inventory, other than the deduction established in subsection (c).**

(b) As used in this section, "inventory" has the meaning set forth in IC 6-1.1-3-11.

(c) A taxpayer is entitled to a deduction from assessed value equal to one hundred percent (100%) of the taxpayer's assessed value of inventory beginning with assessments made in 2006 for property taxes first due and payable in 2007.

(d) A taxpayer is not required to file an application to qualify for the deduction established by this section.

(e) The department of local government finance shall incorporate the deduction established by this section in the personal property return form to be used each year for filing under IC 6-1.1-3-7 or IC 6-1.1-3-7.5 to permit the taxpayer to enter the

deduction on the form. If a taxpayer fails to enter the deduction on the form, the township assessor shall:

(1) determine the amount of the deduction; and

(2) within the period established in IC 6-1.1-16-1, issue a notice of assessment to the taxpayer that reflects the application of the deduction to the inventory assessment.

(f) The deduction established by this section must be applied to any inventory assessment made by:

(1) an assessing official;

(2) a county property tax assessment board of appeals; or

(3) the department of local government finance.

SECTION 35. IC 6-1.1-18.5-2, AS AMENDED BY P.L.198-2001, SECTION 52, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 2. (a) ~~This subsection applies to a calendar year ending before January 1, 2006.~~ **As used in this section, "Indiana nonfarm personal income" means the estimate of total nonfarm personal income for Indiana in a calendar year as computed by the federal Bureau of Economic Analysis using any actual data for the calendar year and any estimated data determined appropriate by the federal Bureau of Economic Analysis.**

(b) For purposes of determining a civil taxing unit's maximum permissible ad valorem property tax levy for an ensuing calendar year, the civil taxing unit shall use the assessed value growth quotient determined in the last STEP of the following STEPS:

~~STEP ONE: Determine the three (3) calendar years that most immediately precede the ensuing calendar year and in which a statewide general reassessment of real property does not first become effective.~~

~~STEP TWO: Compute separately, for each of the calendar years determined in STEP ONE, the quotient (rounded to the nearest ten-thousandth) of the civil taxing unit's total assessed value of all taxable property in the particular calendar year, divided by the civil taxing unit's total assessed value of all taxable property in the calendar year immediately preceding the particular calendar year.~~

~~STEP THREE: Divide the sum of the three (3) quotients computed in STEP TWO by three (3).~~

~~STEP FOUR: Determine the greater of the result computed in STEP THREE or one and five-hundredths (1.05).~~

~~STEP FIVE: Determine the lesser of the result computed in STEP FOUR or one and one-tenth (1.1).~~

~~(b) This subsection applies to a calendar year beginning after December 31, 2005. For purposes of determining a civil taxing unit's~~

~~maximum permissible ad valorem property tax levy for an ensuing calendar year, the civil taxing unit shall use the assessed value growth quotient determined in the last STEP of the following STEPS:~~

~~STEP ONE: Determine the three (3) calendar years that most immediately precede the ensuing calendar year and in which a statewide general reassessment of real property does not first become effective.~~

~~STEP TWO: Compute separately, for each of the calendar years determined in STEP ONE, the quotient (rounded to the nearest ten-thousandth) of the civil taxing unit's total unadjusted assessed value of all taxable property in the particular calendar year, divided by the civil taxing unit's total unadjusted assessed value of all taxable property in the calendar year immediately preceding the particular calendar year.~~

~~STEP THREE: Divide the sum of the three (3) quotients computed in STEP TWO by three (3).~~

~~STEP FOUR: Determine the greater of the result computed in STEP THREE or one and five-hundredths (1.05).~~

~~STEP FIVE: Determine the lesser of the result computed in STEP FOUR or one and one-tenth (1.1).~~

~~(c) This subsection applies to a calendar year ending before January 1, 2006. If the assessed values of taxable property used in determining a civil taxing unit's property taxes that are first due and payable in a particular calendar year are significantly increased over the assessed values used for the immediately preceding calendar year's property taxes due to the settlement of litigation concerning the general reassessment of that civil taxing unit's real property, then for purposes of determining that civil taxing unit's assessed value growth quotient for an ensuing calendar year, the department of local government finance shall replace the quotient described in STEP TWO of subsection (a) for that particular calendar year. The department of local government finance shall replace that quotient with one that as accurately as possible will reflect the actual growth in the civil taxing unit's assessed values of real property from the immediately preceding calendar year to that particular calendar year.~~

~~(d) This subsection applies to a calendar year beginning after December 31, 2005. If the unadjusted assessed values of taxable property used in determining a civil taxing unit's property taxes that are first due and payable in a particular calendar year are significantly increased over the unadjusted assessed values used for the immediately preceding calendar year's property taxes due to the settlement of litigation concerning the general reassessment of that civil taxing unit's~~

~~real property, then for purposes of determining that civil taxing unit's assessed value growth quotient for an ensuing calendar year, the department of local government finance shall replace the quotient described in STEP TWO of subsection (b) for that particular calendar year. The department of local government finance shall replace that quotient with one that, as accurately as possible, will reflect the actual growth in the civil taxing unit's unadjusted assessed values of real property from the immediately preceding calendar year to that particular calendar year.~~

STEP ONE: For each of the six (6) calendar years immediately preceding the year in which a budget is adopted under IC 6-1.1-17-5 for the ensuing calendar year, divide the Indiana nonfarm personal income for the calendar year by the Indiana nonfarm personal income for the calendar year immediately preceding that calendar year, rounding to the nearest one-thousandth (0.001).

STEP TWO: Determine the sum of the STEP ONE results.

STEP THREE: Divide the STEP TWO result by six (6), rounding to the nearest one-thousandth (0.001).

STEP FOUR: Determine the lesser of the following:

(A) The STEP THREE quotient.

(B) One and six-hundredths (1.06).

SECTION 36. IC 6-1.1-18.5-3, AS AMENDED BY P.L.1-2002, SECTION 21, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 3. (a) Except as otherwise provided in this chapter and IC 6-3.5-8-12, a civil taxing unit that is treated as not being located in an adopting county under section 4 of this chapter may not impose an ad valorem property tax levy for an ensuing calendar year that exceeds the amount determined in the last STEP of the following STEPS:

STEP ONE: Add the civil taxing unit's maximum permissible ad valorem property tax levy for the preceding calendar year to the part of the civil taxing unit's certified share, if any, that was used to reduce the civil taxing unit's ad valorem property tax levy under STEP EIGHT of subsection (b) for that preceding calendar year.

STEP TWO: Multiply the amount determined in STEP ONE by the amount determined in ~~either~~ the last STEP of section ~~2(a) of this chapter for calendar years ending before January 1, 2006, or the last STEP of section~~ 2(b) of this chapter. ~~for calendar years beginning after December 31, 2005.~~

STEP THREE: Determine the lesser of one and fifteen hundredths (1.15) or the quotient (rounded to the nearest ten-thousandth), of

the assessed value of all taxable property subject to the civil taxing unit's ad valorem property tax levy for the ensuing calendar year, divided by the assessed value of all taxable property that is subject to the civil taxing unit's ad valorem property tax levy for the ensuing calendar year and that is contained within the geographic area that was subject to the civil taxing unit's ad valorem property tax levy in the preceding calendar year.

STEP FOUR: Determine the greater of the amount determined in STEP THREE or one (1).

STEP FIVE: Multiply the amount determined in STEP TWO by the amount determined in STEP FOUR.

STEP SIX: Add the amount determined under STEP TWO to the amount determined under subsection (c).

STEP SEVEN: Determine the greater of the amount determined under STEP FIVE or the amount determined under STEP SIX.

(b) Except as otherwise provided in this chapter and IC 6-3.5-8-12, a civil taxing unit that is treated as being located in an adopting county under section 4 of this chapter may not impose an ad valorem property tax levy for an ensuing calendar year that exceeds the amount determined in the last STEP of the following STEPS:

STEP ONE: Add the civil taxing unit's maximum permissible ad valorem property tax levy for the preceding calendar year to the part of the civil taxing unit's certified share, if any, used to reduce the civil taxing unit's ad valorem property tax levy under STEP EIGHT of this subsection for that preceding calendar year.

STEP TWO: Multiply the amount determined in STEP ONE by the amount determined in ~~either~~ the last STEP of section ~~2(a) of this chapter for calendar years ending before January 1, 2006, or the last STEP of section~~ 2(b) of this chapter. ~~for calendar years beginning after December 31, 2005.~~

STEP THREE: Determine the lesser of one and fifteen hundredths (1.15) or the quotient of the assessed value of all taxable property subject to the civil taxing unit's ad valorem property tax levy for the ensuing calendar year divided by the assessed value of all taxable property that is subject to the civil taxing unit's ad valorem property tax levy for the ensuing calendar year and that is contained within the geographic area that was subject to the civil taxing unit's ad valorem property tax levy in the preceding calendar year.

STEP FOUR: Determine the greater of the amount determined in STEP THREE or one (1).

STEP FIVE: Multiply the amount determined in STEP TWO by

the amount determined in STEP FOUR.

STEP SIX: Add the amount determined under STEP TWO to the amount determined under subsection (c).

STEP SEVEN: Determine the greater of the amount determined under STEP FIVE or the amount determined under STEP SIX.

STEP EIGHT: Subtract the amount determined under STEP FIVE of subsection (e) from the amount determined under STEP SEVEN of this subsection.

(c) If a civil taxing unit in the immediately preceding calendar year provided an area outside its boundaries with services on a contractual basis and in the ensuing calendar year that area has been annexed by the civil taxing unit, the amount to be entered under STEP SIX of subsection (a) or STEP SIX of subsection (b), as the case may be, equals the amount paid by the annexed area during the immediately preceding calendar year for services that the civil taxing unit must provide to that area during the ensuing calendar year as a result of the annexation. In all other cases, the amount to be entered under STEP SIX of subsection (a) or STEP SIX of subsection (b), as the case may be, equals zero (0).

(d) This subsection applies only to civil taxing units located in a county having a county adjusted gross income tax rate for resident county taxpayers (as defined in IC 6-3.5-1.1-1) of one percent (1%) as of January 1 of the ensuing calendar year. For each civil taxing unit, the amount to be added to the amount determined in subsection (e), STEP FOUR, is determined using the following formula:

STEP ONE: Multiply the civil taxing unit's maximum permissible ad valorem property tax levy for the preceding calendar year by two percent (2%).

STEP TWO: For the determination year, the amount to be used as the STEP TWO amount is the amount determined in subsection (f) for the civil taxing unit. For each year following the determination year the STEP TWO amount is the lesser of:

(A) the amount determined in STEP ONE; or

(B) the amount determined in subsection (f) for the civil taxing unit.

STEP THREE: Determine the greater of:

(A) zero (0); or

(B) the civil taxing unit's certified share for the ensuing calendar year minus the greater of:

(i) the civil taxing unit's certified share for the calendar year that immediately precedes the ensuing calendar year; or

(ii) the civil taxing unit's base year certified share.

STEP FOUR: Determine the greater of:

(A) zero (0); or

(B) the amount determined in STEP TWO minus the amount determined in STEP THREE.

Add the amount determined in STEP FOUR to the amount determined in subsection (e), STEP THREE, as provided in subsection (e), STEP FOUR.

(e) For each civil taxing unit, the amount to be subtracted under subsection (b), STEP EIGHT, is determined using the following formula:

STEP ONE: Determine the lesser of the civil taxing unit's base year certified share for the ensuing calendar year, as determined under section 5 of this chapter, or the civil taxing unit's certified share for the ensuing calendar year.

STEP TWO: Determine the greater of:

(A) zero (0); or

(B) the remainder of:

(i) the amount of federal revenue sharing money that was received by the civil taxing unit in 1985; minus

(ii) the amount of federal revenue sharing money that will be received by the civil taxing unit in the year preceding the ensuing calendar year.

STEP THREE: Determine the lesser of:

(A) the amount determined in STEP TWO; or

(B) the amount determined in subsection (f) for the civil taxing unit.

STEP FOUR: Add the amount determined in subsection (d), STEP FOUR, to the amount determined in STEP THREE.

STEP FIVE: Subtract the amount determined in STEP FOUR from the amount determined in STEP ONE.

(f) As used in this section, a taxing unit's "determination year" means the latest of:

(1) calendar year 1987, if the taxing unit is treated as being located in an adopting county for calendar year 1987 under section 4 of this chapter;

(2) the taxing unit's base year, as defined in section 5 of this chapter, if the taxing unit is treated as not being located in an adopting county for calendar year 1987 under section 4 of this chapter; or

(3) the ensuing calendar year following the first year that the taxing unit is located in a county that has a county adjusted gross income tax rate of more than one-half percent (0.5%) on July 1 of

that year.

The amount to be used in subsections (d) and (e) for a taxing unit depends upon the taxing unit's certified share for the ensuing calendar year, the taxing unit's determination year, and the county adjusted gross income tax rate for resident county taxpayers (as defined in IC 6-3.5-1.1-1) that is in effect in the taxing unit's county on July 1 of the year preceding the ensuing calendar year. For the determination year and the ensuing calendar years following the taxing unit's determination year, the amount is the taxing unit's certified share for the ensuing calendar year multiplied by the appropriate factor prescribed in the following table:

COUNTIES WITH A TAX RATE OF 1/2%

Year	Subsection (e) Factor
For the determination year and each ensuing calendar year following the determination year	0

COUNTIES WITH A TAX RATE OF 3/4%

Year	Subsection (e) Factor
For the determination year and each ensuing calendar year following the determination year	1/2

COUNTIES WITH A TAX RATE OF 1.0%

Year	Subsection (d) Factor	Subsection (e) Factor
For the determination year	1/6	1/3
For the ensuing calendar year following the determination year	1/4	1/3
For the ensuing calendar year following the determination year by two (2) years	1/3	1/3

SECTION 37. IC 6-1.1-18.5-13, AS AMENDED BY P.L.89-2002, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 13. With respect to an appeal filed under section 12 of this chapter, the local government tax control board may recommend that a civil taxing unit receive any one (1) or more of the following types of relief:

(1) Permission to the civil taxing unit to reallocate the amount set aside as a property tax replacement credit as required by IC 6-3.5-1.1 for a purpose other than property tax relief. However, whenever this occurs, the local government tax control board shall also state the amount to be reallocated.

(2) Permission to the civil taxing unit to increase its levy in excess

of the limitations established under section 3 of this chapter, if in the judgment of the local government tax control board the increase is reasonably necessary due to increased costs of the civil taxing unit resulting from annexation, consolidation, or other extensions of governmental services by the civil taxing unit to additional geographic areas or persons.

(3) Permission to the civil taxing unit to increase its levy in excess of the limitations established under section 3 of this chapter, if the local government tax control board finds that the civil taxing unit needs the increase to meet the civil taxing unit's share of the costs of operating a court established by statute enacted after December 31, 1973. Before recommending such an increase, the local government tax control board shall consider all other revenues available to the civil taxing unit that could be applied for that purpose. The maximum aggregate levy increases that the local government tax control board may recommend for a particular court equals the civil taxing unit's share of the costs of operating a court for the first full calendar year in which it is in existence.

(4) Permission to the civil taxing unit to increase its levy in excess of the limitations established under section 3 of this chapter, if the ~~civil taxing unit's average three (3) year growth factor, as determined in section 2(a) (STEP THREE) of this chapter for calendar years ending before January 1, 2006, or section 2(b) (STEP THREE) of this chapter for calendar years beginning after December 31, 2005, exceeds one and one-tenth (1.1). However, any increase in the amount of the civil taxing unit's levy recommended by the local government tax control board under this subdivision may not exceed an amount equal to the remainder of:~~

~~(A) the amount of ad valorem property taxes the civil taxing unit could impose for the ensuing calendar year under section 3 of this chapter if at STEP TWO of subsection (a) or (b), as the case may be, the amount determined in STEP THREE of section 2(a) of this chapter for calendar years ending before January 1, 2006, or in STEP THREE of section 2(b) of this chapter for calendar years beginning after December 31, 2005, is substituted for the amount determined under STEP FIVE of section 2(a) of this chapter for calendar years ending before January 1, 2006, or under STEP FIVE of section 2(b) of this chapter for calendar years beginning after December 31, 2005, minus~~

~~(B) the amount of ad valorem property taxes the civil taxing~~

~~unit could impose under section 3 of this chapter for the ensuing calendar year.~~

local government tax control board finds that the quotient determined under STEP SIX of the following formula is equal to or greater than one and three-hundredths (1.03):

STEP ONE: Determine the three (3) calendar years that most immediately precede the ensuing calendar year and in which a statewide general reassessment of real property does not first become effective.

STEP TWO: Compute separately, for each of the calendar years determined in STEP ONE, the quotient (rounded to the nearest ten-thousandth (0.0001)) of the civil taxing unit's total assessed value of all taxable property in the particular calendar year, divided by the civil taxing unit's total assessed value of all taxable property in the calendar year immediately preceding the particular calendar year.

STEP THREE: Divide the sum of the three (3) quotients computed in STEP TWO by three (3).

STEP FOUR: Compute separately, for each of the calendar years determined in STEP ONE, the quotient (rounded to the nearest ten-thousandth (0.0001)) of the total assessed value of all taxable property of all civil taxing units in the particular calendar year, divided by the total assessed value of all taxable property of all civil taxing units in the calendar year immediately preceding the particular calendar year.

STEP FIVE: Divide the sum of the three (3) quotients computed in STEP FOUR by three (3).

STEP SIX: Divide the STEP THREE amount by the STEP FIVE amount.

In addition, before the local government tax control board may recommend the relief allowed under this subdivision, the civil taxing unit must show a need for the increased levy because of special circumstances, and the local government tax control board must consider other sources of revenue and other means of relief.

(5) Permission to the civil taxing unit to increase its levy in excess of the limitations established under section 3 of this chapter, if the local government tax control board finds that the civil taxing unit needs the increase to pay the costs of furnishing fire protection for the civil taxing unit through a volunteer fire department. For purposes of determining a township's need for an increased levy, the local government tax control board shall not consider the

amount of money borrowed under IC 36-6-6-14 during the immediately preceding calendar year. However, any increase in the amount of the civil taxing unit's levy recommended by the local government tax control board under this subdivision for the ensuing calendar year may not exceed the lesser of:

(A) ten thousand dollars ($10,000); or

(B) twenty percent (20%) of:

(i) the amount authorized for operating expenses of a volunteer fire department in the budget of the civil taxing unit for the immediately preceding calendar year; plus

(ii) the amount of any additional appropriations authorized during that calendar year for the civil taxing unit's use in paying operating expenses of a volunteer fire department under this chapter; minus

(iii) the amount of money borrowed under IC 36-6-6-14 during that calendar year for the civil taxing unit's use in paying operating expenses of a volunteer fire department.

(6) Permission to a civil taxing unit to increase its levy in excess of the limitations established under section 3 of this chapter in order to raise revenues for pension payments and contributions the civil taxing unit is required to make under IC 36-8. The maximum increase in a civil taxing unit's levy that may be recommended under this subdivision for an ensuing calendar year equals the amount, if any, by which the pension payments and contributions the civil taxing unit is required to make under IC 36-8 during the ensuing calendar year exceeds the product of one and one-tenth (1.1) multiplied by the pension payments and contributions made by the civil taxing unit under IC 36-8 during the calendar year that immediately precedes the ensuing calendar year. For purposes of this subdivision, "pension payments and contributions made by a civil taxing unit" does not include that part of the payments or contributions that are funded by distributions made to a civil taxing unit by the state.

(7) Permission to increase its levy in excess of the limitations established under section 3 of this chapter if the local government tax control board finds that:

(A) the township's poor relief ad valorem property tax rate is less than one and sixty-seven hundredths cents ($0.0167) per one hundred dollars ($100) of assessed valuation; and

(B) the township needs the increase to meet the costs of providing poor relief under IC 12-20 and IC 12-30-4.

The maximum increase that the board may recommend for a

township is the levy that would result from an increase in the township's poor relief ad valorem property tax rate of one and sixty-seven hundredths cents ($0.0167) per one hundred dollars ($100) of assessed valuation minus the township's ad valorem property tax rate per one hundred dollars ($100) of assessed valuation before the increase.

(8) Permission to a civil taxing unit to increase its levy in excess of the limitations established under section 3 of this chapter if:

(A) the increase has been approved by the legislative body of the municipality with the largest population where the civil taxing unit provides public transportation services; and

(B) the local government tax control board finds that the civil taxing unit needs the increase to provide adequate public transportation services.

The local government tax control board shall consider tax rates and levies in civil taxing units of comparable population, and the effect (if any) of a loss of federal or other funds to the civil taxing unit that might have been used for public transportation purposes. However, the increase that the board may recommend under this subdivision for a civil taxing unit may not exceed the revenue that would be raised by the civil taxing unit based on a property tax rate of one cent ($0.01) per one hundred dollars ($100) of assessed valuation.

(9) Permission to a civil taxing unit to increase the unit's levy in excess of the limitations established under section 3 of this chapter if the local government tax control board finds that:

(A) the civil taxing unit is:

(i) a county having a population of more than one hundred forty-eight thousand (148,000) but less than one hundred seventy thousand (170,000);

(ii) a city having a population of more than fifty-five thousand (55,000) but less than fifty-nine thousand (59,000);

(iii) a city having a population of more than twenty-eight thousand seven hundred (28,700) but less than twenty-nine thousand (29,000);

(iv) a city having a population of more than fifteen thousand four hundred (15,400) but less than sixteen thousand six hundred (16,600); or

(v) a city having a population of more than seven thousand (7,000) but less than seven thousand three hundred (7,300); and

(B) the increase is necessary to provide funding to undertake

removal (as defined in IC 13-11-2-187) and remedial action (as defined in IC 13-11-2-185) relating to hazardous substances (as defined in IC 13-11-2-98) in solid waste disposal facilities or industrial sites in the civil taxing unit that have become a menace to the public health and welfare.

The maximum increase that the local government tax control board may recommend for such a civil taxing unit is the levy that would result from a property tax rate of six and sixty-seven hundredths cents ($0.0667) for each one hundred dollars ($100) of assessed valuation. For purposes of computing the ad valorem property tax levy limit imposed on a civil taxing unit under section 3 of this chapter, the civil taxing unit's ad valorem property tax levy for a particular year does not include that part of the levy imposed under this subdivision. In addition, a property tax increase permitted under this subdivision may be imposed for only two (2) calendar years.

(10) Permission for a county having a population of more than eighty thousand (80,000) but less than ninety thousand (90,000) to increase the county's levy in excess of the limitations established under section 3 of this chapter, if the local government tax control board finds that the county needs the increase to meet the county's share of the costs of operating a jail or juvenile detention center, including expansion of the facility, if the jail or juvenile detention center is opened after December 31, 1991. Before recommending an increase, the local government tax control board shall consider all other revenues available to the county that could be applied for that purpose. An appeal for operating funds for a jail or juvenile detention center shall be considered individually, if a jail and juvenile detention center are both opened in one (1) county. The maximum aggregate levy increases that the local government tax control board may recommend for a county equals the county's share of the costs of operating the jail or juvenile detention center for the first full calendar year in which the jail or juvenile detention center is in operation.

(11) Permission for a township to increase its levy in excess of the limitations established under section 3 of this chapter, if the local government tax control board finds that the township needs the increase so that the property tax rate to pay the costs of furnishing fire protection for a township, or a portion of a township, enables the township to pay a fair and reasonable amount under a contract with the municipality that is furnishing the fire protection.

However, for the first time an appeal is granted the resulting rate increase may not exceed fifty percent (50%) of the difference between the rate imposed for fire protection within the municipality that is providing the fire protection to the township and the township's rate. A township is required to appeal a second time for an increase under this subdivision if the township wants to further increase its rate. However, a township's rate may be increased to equal but may not exceed the rate that is used by the municipality. More than one (1) township served by the same municipality may use this appeal.

(12) Permission for a township to increase its levy in excess of the limitations established under section 3 of this chapter, if the local government tax control board finds that the township has been required, for the three (3) consecutive years preceding the year for which the appeal under this subdivision is to become effective, to borrow funds under IC 36-6-6-14 to furnish fire protection for the township or a part of the township. However, the maximum increase in a township's levy that may be allowed under this subdivision is the least of the amounts borrowed under IC 36-6-6-14 during the preceding three (3) calendar years. A township may elect to phase in an approved increase in its levy under this subdivision over a period not to exceed three (3) years. A particular township may appeal to increase its levy under this section not more frequently than every fourth calendar year.

(13) Permission to a city having a population of more than twenty-nine thousand (29,000) but less than thirty-one thousand (31,000) to increase its levy in excess of the limitations established under section 3 of this chapter if:

(A) an appeal was granted to the city under subdivision (1) in 1998, 1999, and 2000; and

(B) the increase has been approved by the legislative body of the city, and the legislative body of the city has by resolution determined that the increase is necessary to pay normal operating expenses.

The maximum amount of the increase is equal to the amount of property tax replacement credits under IC 6-3.5-1.1 that the city petitioned to have reallocated in 2001 under subdivision (1) for a purpose other than property tax relief.

SECTION 38. IC 6-1.1-20.9-2, AS AMENDED BY P.L.291-2001, SECTION 125, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 2. (a) Except as otherwise provided in section 5 of this chapter, an individual who on March 1 of a

particular year either owns or is buying a homestead under a contract that provides the individual is to pay the property taxes on the homestead is entitled each calendar year to a credit against the property taxes which the individual pays on the individual's homestead. However, only one (1) individual may receive a credit under this chapter for a particular homestead in a particular year.

(b) The amount of the credit to which the individual is entitled equals the product of:

(1) the percentage prescribed in subsection (d); multiplied by

(2) the amount of the individual's property tax liability, as that term is defined in IC 6-1.1-21-5, which is:

(A) attributable to the homestead during the particular calendar year; **and**

(B) determined after the application of the property tax replacement credit under IC 6-1.1-21.

(c) For purposes of determining that part of an individual's property tax liability that is attributable to the individual's homestead, all deductions from assessed valuation which the individual claims under IC 6-1.1-12 or IC 6-1.1-12.1 for property on which the individual's homestead is located must be applied first against the assessed value of the individual's homestead before those deductions are applied against any other property.

(d) The percentage of the credit referred to in subsection (b)(1) is as follows:

YEAR	PERCENTAGE OF THE CREDIT
1996	8%
1997	6%
1998 through ~~2003~~ **2002**	10%
~~2004~~ **2003** and thereafter	~~4%~~ **20%**

However, the property tax replacement fund board established under IC 6-1.1-21-10, in its sole discretion, may increase the percentage of the credit provided in the schedule for any year, if the board feels that the property tax replacement fund contains enough money for the resulting increased distribution. If the board increases the percentage of the credit provided in the schedule for any year, the percentage of the credit for the immediately following year is the percentage provided in the schedule for that particular year, unless as provided in this subsection the board in its discretion increases the percentage of the credit provided in the schedule for that particular year. However, the percentage credit allowed in a particular county for a particular year shall be increased if on January 1 of a year an ordinance adopted by a

county income tax council was in effect in the county which increased the homestead credit. The amount of the increase equals the amount designated in the ordinance.

(e) Before October 1 of each year, the assessor shall furnish to the county auditor the amount of the assessed valuation of each homestead for which a homestead credit has been properly filed under this chapter.

(f) The county auditor shall apply the credit equally to each installment of taxes that the individual pays for the property.

(g) Notwithstanding the provisions of this chapter, a taxpayer other than an individual is entitled to the credit provided by this chapter if:

(1) an individual uses the residence as the individual's principal place of residence;

(2) the residence is located in Indiana;

(3) the individual has a beneficial interest in the taxpayer;

(4) the taxpayer either owns the residence or is buying it under a contract, recorded in the county recorder's office, that provides that the individual is to pay the property taxes on the residence; and

(5) the residence consists of a single-family dwelling and the real estate, not exceeding one (1) acre, that immediately surrounds that dwelling.

SECTION 39. IC 6-1.1-21-2, AS AMENDED BY P.L.85-2002, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2. As used in this chapter:

(a) "Taxpayer" means a person who is liable for taxes on property assessed under this article.

(b) "Taxes" means **property** taxes payable in respect to property assessed under this article. The term does not include special assessments, penalties, or interest, but does include any special charges which a county treasurer combines with all other taxes in the preparation and delivery of the tax statements required under IC 6-1.1-22-8(a).

(c) "Department" means the department of state revenue.

(d) "Auditor's abstract" means the annual report prepared by each county auditor which under IC 6-1.1-22-5, is to be filed on or before March 1 of each year with the auditor of state.

(e) "Mobile home assessments" means the assessments of mobile homes made under IC 6-1.1-7.

(f) "Postabstract adjustments" means adjustments in taxes made subsequent to the filing of an auditor's abstract which change assessments therein or add assessments of omitted property affecting taxes for such assessment year.

(g) "Total county tax levy" means the sum of:

(1) the remainder of:

(A) the aggregate levy of all taxes for all taxing units in a county which are to be paid in the county for a stated assessment year as reflected by the auditor's abstract for the assessment year, adjusted, however, for any postabstract adjustments which change the amount of the aggregate levy; minus

(B) the sum of any increases in property tax levies of taxing units of the county that result from appeals described in:

(i) IC 6-1.1-18.5-13(5) and IC 6-1.1-18.5-13(6) filed after December 31, 1982; plus

(ii) the sum of any increases in property tax levies of taxing units of the county that result from any other appeals described in IC 6-1.1-18.5-13 filed after December 31, 1983; plus

(iii) IC 6-1.1-18.6-3 (children in need of services and delinquent children who are wards of the county); minus

(C) the total amount of property taxes imposed for the stated assessment year by the taxing units of the county under the authority of IC 12-1-11.5 (repealed), IC 12-2-4.5 (repealed), IC 12-19-5, or IC 12-20-24; minus

(D) the total amount of property taxes to be paid during the stated assessment year that will be used to pay for interest or principal due on debt that:

(i) is entered into after December 31, 1983;

(ii) is not debt that is issued under IC 5-1-5 to refund debt incurred before January 1, 1984; and

(iii) does not constitute debt entered into for the purpose of building, repairing, or altering school buildings for which the requirements of IC 20-5-52 were satisfied prior to January 1, 1984; minus

(E) the amount of property taxes imposed in the county for the stated assessment year under the authority of IC 21-2-6 (repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(F) the remainder of:

(i) the total property taxes imposed in the county for the stated assessment year under authority of IC 21-2-6 (repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a

cumulative building fund whose property tax rate was not initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(ii) the total property taxes imposed in the county for the 1984 stated assessment year under the authority of IC 21-2-6 (repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was not initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(G) the amount of property taxes imposed in the county for the stated assessment year under:

(i) IC 21-2-15 for a capital projects fund; plus

(ii) IC 6-1.1-19-10 for a racial balance fund; plus

(iii) IC 20-14-13 for a library capital projects fund; plus

(iv) IC 20-5-17.5-3 for an art association fund; plus

(v) IC 21-2-17 for a special education preschool fund; plus

(vi) IC 21-2-11.6 for a referendum tax levy fund; plus

(vii) an appeal filed under IC 6-1.1-19-5.1 for an increase in a school corporation's maximum permissible general fund levy for certain transfer tuition costs; plus

(viii) an appeal filed under IC 6-1.1-19-5.4 for an increase in a school corporation's maximum permissible general fund levy for transportation operating costs; minus

(H) the amount of property taxes imposed by a school corporation that is attributable to the passage, after 1983, of a referendum for an excessive tax levy under IC 6-1.1-19, including any increases in these property taxes that are attributable to the adjustment set forth in IC 6-1.1-19-1.5(a) STEP ONE or any other law; minus

(I) for each township in the county, the lesser of:

(i) the sum of the amount determined in IC 6-1.1-18.5-19(a) STEP THREE or IC 6-1.1-18.5-19(b) STEP THREE, whichever is applicable, plus the part, if any, of the township's ad valorem property tax levy for calendar year 1989 that represents increases in that levy that resulted from an appeal described in IC 6-1.1-18.5-13(5) filed after December 31, 1982; or

(ii) the amount of property taxes imposed in the township for the stated assessment year under the authority of IC 36-8-13-4; minus

(J) for each participating unit in a fire protection territory established under IC 36-8-19-1, the amount of property taxes

levied by each participating unit under IC 36-8-19-8 and IC 36-8-19-8.5 less the maximum levy limit for each of the participating units that would have otherwise been available for fire protection services under IC 6-1.1-18.5-3 and IC 6-1.1-18.5-19 for that same year; minus

(K) for each county, the sum of:

(i) the amount of property taxes imposed in the county for the repayment of loans under IC 12-19-5-6 **(repealed)** that is included in the amount determined under IC 12-19-7-4(a) STEP SEVEN for property taxes payable in 1995, or for property taxes payable in each year after 1995, the amount determined under IC 12-19-7-4(b); and

(ii) the amount of property taxes imposed in the county attributable to appeals granted under IC 6-1.1-18.6-3 that is included in the amount determined under IC 12-19-7-4(a) STEP SEVEN for property taxes payable in 1995, or the amount determined under IC 12-19-7-4(b) for property taxes payable in each year after 1995; plus

(2) all taxes to be paid in the county in respect to mobile home assessments currently assessed for the year in which the taxes stated in the abstract are to be paid; plus

(3) the amounts, if any, of county adjusted gross income taxes that were applied by the taxing units in the county as property tax replacement credits to reduce the individual levies of the taxing units for the assessment year, as provided in IC 6-3.5-1.1; plus

(4) the amounts, if any, by which the maximum permissible ad valorem property tax levies of the taxing units of the county were reduced under IC 6-1.1-18.5-3(b) STEP EIGHT for the stated assessment year; plus

(5) the difference between:

(A) the amount determined in IC 6-1.1-18.5-3(e) STEP FOUR; minus

(B) the amount the civil taxing units' levies were increased because of the reduction in the civil taxing units' base year certified shares under IC 6-1.1-18.5-3(e).

(h) "December settlement sheet" means the certificate of settlement filed by the county auditor with the auditor of state, as required under IC 6-1.1-27-3.

(i) "Tax duplicate" means the roll of property taxes which each county auditor is required to prepare on or before March 1 of each year under IC 6-1.1-22-3.

(j) "Eligible property tax replacement amount" is equal to the

sum of the following:

(1) Sixty percent (60%) of the total county tax levy imposed by each school corporation in a county for its general fund for a stated assessment year.

(2) Twenty percent (20%) of the total county tax levy (less sixty percent (60%) of the levy for the general fund of a school corporation that is part of the total county tax levy) imposed in a county on real property for a stated assessment year.

(3) Twenty percent (20%) of the total county tax levy (less sixty percent (60%) of the levy for the general fund of a school corporation that is part of the total county tax levy) imposed in a county on tangible personal property, excluding business personal property, for an assessment year.

(k) "Business personal property" means tangible personal property (other than real property) that is being:

(1) held for sale in the ordinary course of a trade or business; or

(2) held, used, or consumed in connection with the production of income.

(l) "Taxpayer's property tax replacement credit amount" means the sum of the following:

(1) Sixty percent (60%) of a taxpayer's tax liability in a calendar year for taxes imposed by a school corporation for its general fund for a stated assessment year.

(2) Twenty percent (20%) of a taxpayer's tax liability for a stated assessment year for a total county tax levy (less sixty percent (60%) of the levy for the general fund of a school corporation that is part of the total county tax levy) on real property.

(3) Twenty percent (20%) of a taxpayer's tax liability for a stated assessment year for a total county tax levy (less sixty percent (60%) of the levy for the general fund of a school corporation that is part of the total county tax levy) on tangible personal property other than business personal property.

(m) "Tax liability" means tax liability as described in section 5 of this chapter.

(n) "General school operating levy" means the ad valorem property tax levy of a school corporation in a county for the school corporation's general fund.

SECTION 40. IC 6-1.1-21-3, AS AMENDED BY P.L.90-2002, SECTION 200, IS AMENDED TO READ AS FOLLOWS

[EFFECTIVE JANUARY 1, 2003]: Sec. 3. (a) ~~On or before March 1 of each year, the department of local government finance shall certify to the department on a form approved by the state board of accounts, an estimate of the total county tax levy collectible in that calendar year for each county in the state. The estimate shall be based on the tax collections for the preceding calendar year, adjusted as necessary to reflect the total county tax levy (as defined in section 2(g) of this chapter) from the budgets, tax levies, and rates as finally determined and acted upon by the department of local government finance.~~ The department, with the assistance of the auditor of state **and the department of local government finance,** shall determine ~~on the basis of the report~~ an amount equal to ~~twenty percent (20%) of~~ the ~~total county tax levy,~~ **eligible property tax replacement amount,** which is the estimated property tax replacement.

(b) ~~In the same report containing the estimate of a county's total county tax levy,~~ The department of local government finance shall ~~also~~ certify **to the department** the amount of homestead credits provided under IC 6-1.1-20.9 which are allowed by the county for the particular calendar year.

(c) If there are one (1) or more taxing districts in the county that contain all or part of an economic development district that meets the requirements of section 5.5 of this chapter, the department of local government finance shall estimate an additional distribution for the county in the same report required under subsection (a). This additional distribution equals the sum of the amounts determined under the following STEPS for all taxing districts in the county that contain all or part of an economic development district:

STEP ONE: Estimate that part of the sum of the amounts under section 2(g)(1)(A) and 2(g)(2) of this chapter that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part of the estimated property tax replacement ~~determined under subsection (a) that is~~ **amount** attributable to the taxing district; by

(B) the STEP ONE sum.

STEP THREE: Multiply:

(A) the STEP TWO quotient; times

(B) the ~~property~~ taxes levied in the taxing district that are allocated to a special fund under IC 6-1.1-39-5.

(d) The sum of the amounts determined under subsections (a) through (c) is the particular county's estimated distribution for the calendar year.

SECTION 41. IC 6-1.1-21-4, AS AMENDED BY P.L.198-2001, SECTION 59, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4. (a) Each year the department shall allocate from the property tax replacement fund an amount equal to the sum of:

(1) ~~twenty percent (20%) of~~ each county's total ~~county tax levy payable~~ **eligible property tax replacement amount for** that year; plus

(2) the total amount of homestead tax credits that are provided under IC 6-1.1-20.9 and allowed by each county for that year; plus

(3) an amount for each county that has one (1) or more taxing districts that contain all or part of an economic development district that meets the requirements of section 5.5 of this chapter. This amount is the sum of the amounts determined under the following STEPS for all taxing districts in the county that contain all or part of an economic development district:

STEP ONE: Determine that part of the sum of the amounts under section 2(g)(1)(A) and 2(g)(2) of this chapter that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part of the subdivision (1) amount that is attributable to the taxing district; by

(B) the STEP ONE sum.

STEP THREE: Multiply:

(A) the STEP TWO quotient; times

(B) the ~~property~~ taxes levied in the taxing district that are allocated to a special fund under IC 6-1.1-39-5.

(b) Except as provided in subsection (e), between March 1 and August 31 of each year, the department shall distribute to each county treasurer from the property tax replacement fund one-half (1/2) of the estimated distribution for that year for the county. Between September 1 and December 15 of that year, the department shall distribute to each county treasurer from the property tax replacement fund the remaining one-half (1/2) of each estimated distribution for that year. The amount of the distribution for each of these periods shall be according to a schedule determined by the property tax replacement fund board under section 10 of this chapter. The estimated distribution for each county may be adjusted from time to time by the department to reflect any changes in the total county tax levy upon which the estimated distribution is based.

(c) On or before December 31 of each year or as soon thereafter as

possible, the department shall make a final determination of the amount which should be distributed from the property tax replacement fund to each county for that calendar year. This determination shall be known as the final determination of distribution. The department shall distribute to the county treasurer or receive back from the county treasurer any deficit or excess, as the case may be, between the sum of the distributions made for that calendar year based on the estimated distribution and the final determination of distribution. The final determination of distribution shall be based on the auditor's abstract filed with the auditor of state, adjusted for postabstract adjustments included in the December settlement sheet for the year, and such additional information as the department may require.

(d) All distributions provided for in this section shall be made on warrants issued by the auditor of state drawn on the treasurer of state. If the amounts allocated by the department from the property tax replacement fund exceed in the aggregate the balance of money in the fund, then the amount of the deficiency shall be transferred from the state general fund to the property tax replacement fund, and the auditor of state shall issue a warrant to the treasurer of state ordering the payment of that amount. However, any amount transferred under this section from the general fund to the property tax replacement fund shall, as soon as funds are available in the property tax replacement fund, be retransferred from the property tax replacement fund to the state general fund, and the auditor of state shall issue a warrant to the treasurer of state ordering the replacement of that amount.

(e) Except as provided in subsection (i), the department shall not distribute under subsection (b) and section 10 of this chapter the money attributable to the county's property reassessment fund if, by the date the distribution is scheduled to be made, the county auditor has not sent a certified statement required to be sent by that date under IC 6-1.1-17-1 to the department of local government finance.

(f) Except as provided in subsection (i), if the elected township assessors in the county, the elected township assessors and the county assessor, or the county assessor has not transmitted to the department of local government finance by October 1 of the year in which the distribution is scheduled to be made the data for all townships in the county required to be transmitted under IC 6-1.1-4-25(b), the state board or the department shall not distribute under subsection (b) and section 10 of this chapter a part of the money attributable to the county's property reassessment fund. The portion not distributed is the amount that bears the same proportion to the total potential distribution as the number of townships in the county for which data was not

transmitted by August 1 as described in this section bears to the total number of townships in the county.

(g) Money not distributed under subsection (e) shall be distributed to the county when the county auditor sends to the department of local government finance the certified statement required to be sent under IC 6-1.1-17-1 with respect to which the failure to send resulted in the withholding of the distribution under subsection (e).

(h) Money not distributed under subsection (f) shall be distributed to the county when the elected township assessors in the county, the elected township assessors and the county assessor, or the county assessor transmits to the department of local government finance the data required to be transmitted under IC 6-1.1-4-25(b) with respect to which the failure to transmit resulted in the withholding of the distribution under subsection (f).

(i) The restrictions on distributions under subsections (e) and (f) do not apply if the department of local government finance determines that:

(1) the failure of a county auditor to send a certified statement as described in subsection (e); or

(2) the failure of an official to transmit data as described in subsection (f);

is justified by unusual circumstances.

SECTION 42. IC 6-1.1-21-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 5. (a) Each year the taxpayers of each county shall receive a credit for property tax replacement in the amount of ~~twenty percent (20%) of the tax liability (as defined in this section) of~~ each ~~taxpayer~~ **taxpayer's property tax replacement credit amount** for taxes which under IC 6-1.1-22-9 are due and payable in May and November of that year. The credit shall be applied to each installment of taxes. The dollar amount of the credit for each taxpayer shall be determined by the county auditor, based on data furnished by the ~~state board~~ **department** of ~~tax commissioners.~~ **local government finance.**

(b) The tax liability of a taxpayer for the purpose of computing the credit for a particular year shall be based upon the taxpayer's tax liability as is evidenced by the tax duplicate for the taxes payable in that year, plus the amount by which the tax payable by the taxpayer had been reduced due to the application of county adjusted gross income tax revenues to the extent the county adjusted gross income tax revenues were included in the determination of the total county tax levy for that year, as provided in sections 2(g) and 3 of this chapter, adjusted, however, for any change in assessed valuation which may

have been made pursuant to a post-abstract adjustment if the change is set forth on the tax statement or on a corrected tax statement stating the taxpayer's tax liability, as prepared by the county treasurer in accordance with IC 6-1.1-22-8(a). However, **except when using the term under section 2(l)(1) of this chapter,** the tax liability of a taxpayer does not include the amount of any property tax owed by the taxpayer that is attributable to that part of any property tax levy subtracted under section 2(g)(1)(B), 2(g)(1)(C), 2(g)(1)(D), 2(g)(1)(E), 2(g)(1)(F), 2(g)(1)(G), (2)(g)(1)(H), 2(g)(1)(I), ~~or~~ 2(g)(1)(J), **or 2(g)(1)(K)** of this chapter in computing the total county tax levy.

~~(b)~~ **(c)** The credit for taxes payable in a particular year with respect to mobile homes which are assessed under IC 6-1.1-7 is ~~twenty percent (20%) of the~~ **equivalent to the taxpayer's property tax replacement credit amount for the** taxes payable with respect to the assessments plus the adjustments stated in this section.

~~(c)~~ **(d)** Each taxpayer in a taxing district that contains all or part of an economic development district that meets the requirements of section 5.5 of this chapter is entitled to an additional credit for property tax replacement. This credit is equal to the product of:

(1) the STEP TWO quotient determined under section 4(a)(3) of this chapter for the taxing district; multiplied by

(2) the taxpayer's ~~property~~ taxes levied in the taxing district that are allocated to a special fund under IC 6-1.1-39-5.

SECTION 43. IC 6-1.1-21-10, AS AMENDED BY P.L.176-2002, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 10. (a) There is established a property tax replacement fund board to consist of the commissioner of the department, the commissioner of the department of local government finance, the director of the budget agency, and two (2) ex officio nonvoting representatives of the general assembly of the state of Indiana. The speaker of the house of representatives shall appoint one (1) member of the house as one (1) of the ex officio nonvoting representatives, and the president pro tempore of the senate shall appoint one (1) senator as the other ex officio nonvoting representative, each to serve at the will of the appointing officer. The commissioner of the department shall be the chairman of the board, and the director of the budget agency shall be the secretary of the board.

~~(b) The board may, upon a vote of a majority of the members of the board, increase the percentage of property tax replacement funds to be distributed from the property tax replacement fund to the several counties for credit to the taxpayers in the counties as provided in this chapter if in the judgment of the board there are surplus funds available~~

~~in the fund for the increased distribution. The board shall make such a determination on or before March 1 of each year relative to the amounts to be distributed from the property tax replacement fund for that year. Upon such a determination the commissioner of the department of state revenue shall immediately notify the treasurers of the several counties of the increased distribution.~~

~~(c)~~ **(b)** Except as provided in section 10.5 of this chapter, the schedule to be used in making distributions to county treasurers during the periods set forth in section 4(b) of this chapter is as follows:

January	0.00%
February	0.00%
March	16.70%
April	16.70%
May	~~16.60%~~ **0.00%**
June	0.00%
July	~~0.00%~~ **16.60%**
August	0.00%
September	16.70%
October	16.70%
November	16.60%
December	0.00%

The board may authorize the department to distribute the estimated distributions to counties earlier than what is required under section 4(b) of this chapter.

~~(d)~~ **(c)** The board is also authorized to transfer funds from the property tax replacement fund for the purpose of providing financial aid to school corporations as provided in IC 21-3.

SECTION 44. IC 6-1.1-21.2 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]:

Chapter 21.2. Tax Increment Replacement

Sec. 1. (a) This chapter applies to an allocation area established prior to January 1, 2003.

(b) This chapter does not apply to the portion of an allocation area described under subsection (a) that is expanded after December 31, 2002.

Sec. 2. Except as otherwise provided, the definitions in IC 36 apply throughout this chapter.

Sec. 3. As used in this chapter, "allocation area" refers to an area that is established under the authority of any of the following statutes and in which tax increment revenues are collected:

(1) IC 8-22-3.5.

(2) IC 36-7-14.
(3) IC 36-7-14.5.
(4) IC 36-7-15.1.
(5) IC 36-7-30.

Sec. 4. A used in this chapter, "base assessed value" means the base assessed value as that term is defined or used in:

(1) IC 8-22-3.5-9(a);
(2) IC 36-7-14-39(a);
(3) IC 36-7-14-39.3(c);
(4) IC 36-7-14.5-12.5;
(5) IC 36-7-15.1-26(a);
(6) IC 36-7-15.-1-26.2(c);
(7) IC 36-7-15.1-35(a);
(8) IC 36-7-15.1-53;
(9) IC 36-7-15.1-55(c);
(10) IC 36-7-30-25(a)(2); or
(11) IC 36-7-30-26(c).

Sec. 5. As used in this chapter, "district" refers to:

(1) an eligible entity, as defined in IC 8-22-3.5-2.5;
(2) a redevelopment district, for an allocation area established under:
(A) IC 36-7-14; or
(B) IC 36-7-15.1; or
(3) a special taxing district, as described in:
(A) IC 36-7-14.5-12.5(d); or
(B) IC 36-7-30-3(b).

Sec. 6. As used in this chapter, "governing body" means the following:

(1) For an allocation area created under IC 8-22-3.5, the commission (as defined in IC 8-22-3.5-2).
(2) For an allocation area created under IC 36-7-14, the redevelopment commission.
(3) For an allocation area created under IC 36-7-14.5, the redevelopment authority.
(4) For an allocation area created under IC 36-7-15.1, the metropolitan development commission.
(5) For an allocation area created under IC 36-7-30, the military base reuse authority.

Sec. 7. As used in this chapter, "property taxes" means:

(1) property taxes, as defined in:
(A) IC 36-7-14-39(a);
(B) IC 36-7-14-39.3(c);

(C) IC 36-7-15.1-26(a);
(D) IC 36-7-15.1-26.2(c);
(E) IC 36-7-15.1-53(a);
(F) IC 36-7-15.1-55(c);
(G) IC 36-7-30-25(a)(3); or
(H) IC 36-7-30-26(c); or

(2) for allocation areas created under IC 8-22-3.5, the taxes assessed on taxable tangible property in the allocation area.

Sec. 8. As used in this chapter, "special fund" means:

(1) the special funds referred to in IC 8-22-3.5-9(e);
(2) the allocation fund referred to in IC 36-7-14-39(b)(2);
(3) the allocation fund referred to in IC 36-7-14.5-12.5(d);
(4) the special fund referred to in IC 36-7-15.1-26(b)(2);
(5) the special fund referred to in IC 36-7-15.1-53(b)(2); or
(6) the allocation fund referred to in IC 36-7-30-25(b)(2).

Sec. 9. As used in this chapter, "tax increment replacement amount" means the tax increment replacement amount determined under section 11 of this chapter.

Sec. 10. As used in this chapter, "tax increment revenues" means the property taxes attributable to the assessed value of property in excess of the base assessed value.

Sec. 11. (a) By July 15 of a year, the governing body shall estimate the tax increment replacement amount for each allocation area under the jurisdiction of the governing body for the next calendar year.

(b) The tax increment replacement amount is the amount determined in STEP THREE of the following formula:

STEP ONE: The governing body shall estimate the amount of tax increment revenues it would receive in the next calendar year if the property tax replacement credits payable with respect to the general fund levies imposed by all school corporations with jurisdiction in the allocation area were determined under IC 6-1.1-21 as in effect on January 1, 2001.

STEP TWO: The governing body shall estimate the amount of tax increment revenues it will receive in the next calendar year after implementation of the increase in the property tax credits payable under IC 6-1.1-21, as amended by the general assembly in 2002, with respect to general fund levies imposed by all school corporations with jurisdiction in the allocation area.

STEP THREE: Subtract the STEP TWO amount from the STEP ONE amount.

Sec. 12. (a) A tax is imposed each year on all taxable property in the district in which the governing body exercises jurisdiction.

(b) Except as provided in subsections (c) and (d), the tax imposed under this section shall be automatically imposed at a rate sufficient to generate the tax increment replacement amount determined under section 11(b) of this chapter for that year.

(c) The legislative body of the unit that established the district may:

(1) reduce the amount of the tax to be levied under this section; or

(2) determine that no tax should be levied under this section.

(d) This subsection applies to a district in which the total assessed value of all allocation areas in the district is greater than ten percent (10%) of the total assessed value of the district. Except as provided in section 14(d) of this chapter, a tax levy imposed under this section may not exceed the lesser of:

(1) the tax increment replacement amount; or

(2) the amount that will result from the imposition of a rate for the tax levy that the department of local government finance estimates will cause the total tax rate in the district to be one hundred ten percent (110%) of the rate that would apply if the tax levy authorized by this chapter were not imposed for the year.

Sec. 13. (a) A district described in section 12(d) of this chapter may appeal to the department of local government finance for a distribution from the property tax replacement fund if the district has imposed the maximum tax levy permissible under section 12(d) of this chapter.

(b) The maximum amount of distribution under this section may not exceed the amount determined by subtracting the amount of the tax levied under section 12(d) of this chapter from the tax increment replacement amount determined under section 11(b) of this chapter.

(c) An appeal under this section must be filed before September 20 of a year.

Sec. 14. (a) The department of local government finance shall approve an appeal filed under section 13 of this chapter if the department determines that:

(1) the governing body's estimate of the tax replacement amount under section 11 of this chapter is reasonable;

(2) a tax levy in excess of the amount determined under section 12(d) of this chapter would:

(A) create a significant financial hardship on taxpayers residing in the district in which the governing body exercises jurisdiction;

(B) significantly reduce the benefits from the increase in the property tax credits payable under IC 6-1.1-21, as amended by the general assembly in 2002, with respect to general fund levies imposed by all school corporations with jurisdiction in the district; or

(C) have a disproportionate impact on small businesses or low income families or individuals; and

(3) the governing body has made reasonable efforts to limit its use of the special fund for the allocation area to appropriations for payments of:

(A) the principal and interest on loans or bonds;

(B) lease rentals on leases;

(C) amounts due on other contractual obligations; and

(D) additional credits described in IC 8-22-3.5-10(a), IC 36-7-14-39.5(c), IC 36-7-14.5-12.5(d)(5), IC 36-7-15.1-26.5(e), IC 36-7-15.1-35(d), or IC 36-7-30-25(b)(2)(E).

(b) The department shall make a final determination on an appeal filed under this section by November 1 of a year.

(c) If the department approves an appeal filed under this section, it shall order a distribution from the property tax replacement fund in the amount determined under section 13(b) of this chapter in the same manner as distributions are made under IC 6-1.1-21-4.

(d) If the department denies an appeal filed under section 13 of this chapter, or does not grant the maximum permissible distribution under section 13(b) of this chapter, the legislative body of the unit that established the district may increase the levy imposed under this chapter to an amount that, when combined with any distribution received under this chapter, does not exceed the tax increment replacement amount.

Sec. 15. (a) A tax levied under this chapter shall be certified by the department of local government finance to the auditor of the county in which the district is located and shall be:

(1) estimated and entered upon the tax duplicates by the county auditor; and

(2) collected and enforced by the county treasurer;

in the same manner as state and county taxes are estimated, entered, collected, and enforced.

(b) As the tax is collected by the county treasurer, it shall be transferred to the governing body and accumulated and kept in the special fund for the allocation area.

(c) A tax levied under this chapter:

(1) is exempt from the levy limitations imposed under IC 6-1.1-18.5; and

(2) is not subject to IC 6-1.1-20.

(d) A tax levied under this chapter and the use of revenues from a tax levied under this chapter by a governing body do not create a constitutional or statutory debt, pledge, or obligation of the governing body, the district, or any unit.

SECTION 45. IC 6-1.1-33.5-3, AS ADDED BY P.L.198-2001, SECTION 82, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. The division of data analysis shall:

(1) conduct continuing studies in the areas in which the department of local government finance operates;

(2) make periodic field surveys and audits of tax rolls, plat books, building permits, real estate transfers, ~~gross income tax returns,~~ federal income tax returns, and other data that may be useful in checking property valuations or taxpayer returns;

(3) make test checks of property valuations to serve as the bases for special reassessments under this article;

(4) conduct biennially a coefficient of dispersion study for each township and county in Indiana;

(5) conduct quadrennially a sales assessment ratio study for each township and county in Indiana;

(6) compute school assessment ratios under IC 6-1.1-34; and

(7) report annually to the executive director of the legislative services agency, in a form prescribed by the legislative services agency, the information obtained or determined under this section for use by the executive director and the general assembly, including:

(A) all information obtained by the division of data analysis from units of local government; and

(B) all information included in:

(i) the local government data base; and

(ii) any other data compiled by the division of data analysis.

SECTION 46. IC 6-1.1-39-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 6. (a) An economic development district may be enlarged by the fiscal body by following the same procedure for the creation of an economic development district specified in this chapter. Property taxes that are

attributable to the additional area and allocable to the economic development district are not eligible for the property tax replacement credit provided by IC 6-1.1-21-5. However, subject to subsection (c), each taxpayer in an additional area is entitled to an additional credit for ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** that under IC 6-1.1-22-9 are due and payable in May and November of that year. One-half (1/2) of the credit shall be applied to each installment of ~~property~~ taxes **(as defined in IC 6-1.1-21-2).** This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district in a county that contains all or part of the additional area:

STEP ONE: Determine that part of the sum of the amounts under IC 6-1.1-21-2(g)(1)(A) and IC 6-1.1-21-2(g)(2) that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part of ~~twenty percent (20%) of~~ the county's ~~total county tax levy payable~~ **eligible property tax replacement amount (as defined in IC 6-1.1-21-2) for** that year as determined under IC 6-1.1-21-4 that is attributable to the taxing district; by

(B) the STEP ONE sum.

STEP THREE: Multiply:

(A) the STEP TWO quotient; times

(B) the total amount of the taxpayer's ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** levied in the taxing district that would have been allocated to a special fund under section 5 of this chapter had the additional credit described in this section not been given.

The additional credit reduces the amount of proceeds allocated to the economic development district and paid into a special fund under section 5(a) of this chapter.

(b) If the additional credit under subsection (a) is not reduced under subsection (c) or (d), the credit for property tax replacement under IC 6-1.1-21-5 and the additional credit under subsection (a) shall be computed on an aggregate basis for all taxpayers in a taxing district that contains all or part of an additional area. The credit for property tax replacement under IC 6-1.1-21-5 and the additional credit under subsection (a) shall be combined on the tax statements sent to each taxpayer.

(c) The county fiscal body may, by ordinance, provide that the additional credit described in subsection (a):

(1) does not apply in a specified additional area; or

(2) is to be reduced by a uniform percentage for all taxpayers in

a specified additional area.

(d) Whenever the county fiscal body determines that granting the full additional credit under subsection (a) would adversely affect the interests of the holders of bonds or other contractual obligations that are payable from allocated tax proceeds in that economic development district in a way that would create a reasonable expectation that those bonds or other contractual obligations would not be paid when due, the county fiscal body must adopt an ordinance under subsection (c) to deny the additional credit or reduce the additional credit to a level that creates a reasonable expectation that the bonds or other obligations will be paid when due. An ordinance adopted under subsection (c) denies or reduces the additional credit for ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** first due and payable in any year following the year in which the ordinance is adopted.

(e) An ordinance adopted under subsection (c) remains in effect until the ordinance is rescinded by the body that originally adopted the ordinance. However, an ordinance may not be rescinded if the rescission would adversely affect the interests of the holders of bonds or other obligations that are payable from allocated tax proceeds in that economic development district in a way that would create a reasonable expectation that the principal of or interest on the bonds or other obligations would not be paid when due. If an ordinance is rescinded and no other ordinance is adopted, the additional credit described in subsection (a) applies to ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** first due and payable in each year following the year in which the resolution is rescinded.

SECTION 47. IC 6-2.3 IS ADDED TO THE INDIANA CODE AS A **NEW** ARTICLE TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]:

ARTICLE 2.3. UTILITY RECEIPTS TAX

Chapter 1. Definitions and Rules of Construction

Sec. 1. The definitions in this chapter apply throughout this article.

Sec. 2. "Affiliated group" means an affiliated group of corporations described in IC 6-2.3-6-5.

Sec. 3. "Department" means the department of state revenue.

Sec. 4. "Gross receipts" refers to anything of value, including cash or other tangible or intangible property, that a taxpayer receives in consideration for the retail sale of utility services for consumption before deducting any costs incurred in providing the utility services.

Sec. 5. "Hazardous waste" has the meaning set forth in

IC 13-11-2-99(a) and includes a waste determined to be a hazardous waste under IC 13-22-2-3(b).

Sec. 6. "Receives", as applied to a taxpayer, means:

(1) the actual coming into possession of, or the crediting to, the taxpayer, of gross receipts; or

(2) the payment of a taxpayer's expenses, debts, or other obligations by a third party for the taxpayer's direct benefit.

Sec. 7. "Resource recovery system" means tangible property directly used to dispose of solid waste or hazardous waste by converting it into energy or other useful products.

Sec. 8. "Solid waste" has the meaning set forth in IC 13-11-2-205(a). The term does not include dead animals or any animal solid or semisolid wastes.

Sec. 9. "Taxable gross receipts" means the remainder of:

(1) all gross receipts that are not exempt from tax under IC 6-2.3-4; less

(2) all deductions that are allowed under IC 6-2.3-5.

Sec. 10. "Taxable period" means a calendar year, a fiscal year, any of the quarterly periods of either a calendar or fiscal year, or any other period specified by the department under this article.

Sec. 11. "Taxable year" means the year that a taxpayer uses for purposes of filing the taxpayer's federal income tax return. If a taxpayer does not file a federal income tax return, the term means a calendar year.

Sec. 12. "Taxpayer" means any:

(1) assignee;

(2) receiver;

(3) commissioner;

(4) fiduciary;

(5) trustee;

(6) institution;

(7) consignee;

(8) firm;

(9) partnership;

(10) limited liability partnership;

(11) joint venture;

(12) pool;

(13) syndicate;

(14) bureau;

(15) association;

(16) cooperative association;

(17) corporation;

(18) political subdivision (as defined in IC 36-2-1-13) or the state of Indiana, to the extent engaged in private or proprietary activities or business;

(19) trust;

(20) limited liability company; or

(21) other group or combination acting as a unit;

regardless of whether the entity is exempt for state adjusted gross income tax purposes under IC 6-3 or for federal income tax purposes under the Internal Revenue Code.

Sec. 13. "Telecommunication services" means the transmission of messages or information by or using wire, cable, fiber optics, laser, microwave, radio, satellite, or similar facilities. The term does not include any of the following:

(1) Value added services in which computer processing applications are used to act on the form, content, code, or protocol of the information for purposes other than transmission.

(2) Value added services providing text, graphic, video, or audio program content for a purpose other than transmission.

(3) The transmission of video programming or other programming:

(A) provided by; or

(B) generally considered comparable to programming provided by;

a television broadcast station or a radio broadcast station, including cable TV, direct broadcast satellite (DBS/DISH), and digital television (DTV).

Sec. 14. "Utility service" means furnishing any of the following:

(1) Electrical energy.

(2) Natural gas, either mixed with another substance or pure, used for heat, light, cooling, or power.

(3) Water.

(4) Steam.

(5) Sewage (as defined in IC 13-11-2-200).

(6) Telecommunication services.

Chapter 2. Imposition

Sec. 1. An income tax, known as the utility receipts tax, is imposed upon the receipt of:

(1) the entire taxable gross receipts of a taxpayer that is a resident or a domiciliary of Indiana; and

(2) the taxable gross receipts derived from activities or businesses or any other sources within Indiana by a taxpayer

that is not a resident or a domiciliary of Indiana.

Sec. 2. The receipt of taxable gross receipts from transactions is subject to a tax rate of one and four-tenths percent (1.4%).

Sec. 3. A stockholder who receives a distribution of the assets of a corporation, a joint stock association, or other organization in which the stockholder holds stock is liable, to the extent of the assets the stockholder receives from the organization, for a certain percentage of the unpaid gross receipts taxes that the organization owes after dissolution. That percentage equals the percentage of the total outstanding stock of the organization held by the stockholder before dissolution.

Sec. 4. Every S corporation or other entity exempt from federal income taxation under Section 1361 of the Internal Revenue Code, partnership, limited liability company, and limited liability partnership, is liable for the utility receipts tax. No utility receipts tax liability is imposed under this article on a partner's, member's, beneficiary's, or shareholder's distributive share of the entity's gross income.

Chapter 3. Classification of Receipts as Gross Receipts

Sec. 1. Determinations concerning whether the receipts of a taxpayer are taxable gross receipts shall be made in conformity with this chapter.

Sec. 2. Notwithstanding any other provisions of this article, receipts that would otherwise not be taxable under this article are taxable gross receipts under this article to the extent that the amount of the nontaxable receipts are not separated from the taxable receipts on the records or returns of the taxpayer.

Sec. 3. Gross receipts include the amount of any legal settlement or judgment received to compensate the taxpayer for lost retail sales of utility services.

Sec. 4. (a) Gross receipts do not include collections by a taxpayer of a tax, fee, or surcharge imposed by a state, a political subdivision, or the United States if:

(1) the tax, fee, or surcharge is imposed solely on the sale at retail of utility services;

(2) the tax, fee, or surcharge is remitted to the appropriate taxing authority; and

(3) the taxpayer collects the tax, fee, or surcharge separately as an addition to the price of the utility service sold.

(b) Gross receipts do not include collections by a taxpayer of a tax, fee, or surcharge that is:

(1) approved by the Federal Communications Commission or

the utility regulatory commission; and

(2) stated separately as an addition to the price of telecommunication services sold at retail.

Sec. 5. (a) Gross receipts do not include a wholesale sale to another generator or reseller of utility services.

(b) A sale is a retail sale if the taxpayer sells utility services to a buyer that subsequently makes a sale described in IC 6-2.3-4-5.

Sec. 6. A sale shall be treated as a retail sale if the taxpayer sells water or gas to another individual or entity that bottles and resells the water or gas.

Sec. 7. Gross receipts do not include amounts received by a corporation or a division of a corporation owned, operated, or controlled by its member electric cooperatives as payment from the electric cooperatives for electrical energy to be resold to their member-owner consumers.

Sec. 8. Gross receipts do not include amounts received by a joint agency established under IC 8-1-2.2 that constitutes a payment by a municipality that is a member of the joint agency for electrical energy that will be sold by the municipality to retail customers.

Sec. 9. Gross receipts do not include a deposit of cash made with a taxpayer to the extent that the deposit is refundable.

Sec. 10. Gross receipts include receipts received for installation, maintenance, repair, equipment, or leasing services provided to a commercial or domestic consumer that are directly related to the delivery of utility services to the commercial or domestic consumer or the removal of equipment from a commercial or domestic consumer upon the termination of service.

Chapter 4. Exemptions

Sec. 1. Gross receipts derived from sales to the United States government are exempt from the utility receipts tax to the extent the state is prohibited by the Constitution of the United States from taxing the gross receipts.

Sec. 2. Gross receipts derived from business conducted in commerce between Indiana and either another state or territory or a foreign country are exempt from utility receipts tax to the extent the state is prohibited from taxing the gross receipts by the Constitution of the United States.

Sec. 3. Gross receipts received by:

(1) a conservancy district established under IC 14-33-20 or IC 13-3-4 (before its repeal);

(2) a regional water, sewage, or solid waste district established under IC 13-26 or IC 13-3-2 (before its repeal);

(3) a nonprofit corporation formed solely for the purpose of supplying water to the public;

(4) a county solid waste management district or a joint solid waste management district established under IC 13-21 or IC 13-9.5-2 (before its repeal);

(5) a nonprofit corporation formed for the purpose of providing a combination of:

(A) water; and

(B) sewer and sewage service;

to the public; or

(6) a county onsite waste management district established under IC 36-11;

are exempt from the utility receipts tax.

Sec. 4. An occasional sale of utility services by a taxpayer that is not regularly engaged in the trade or business of selling utility services is exempt from the utility receipts tax.

Sec. 5. (a) This section applies to the sale of utility services by the owner or operator of any of the following facilities:

(1) A commercial hotel, motel, inn, or campground.

(2) A park for mobile homes, manufactured homes, trailers, or recreational vehicles.

(3) Marinas.

(b) Gross receipts derived from the sale of utility services by an owner or operator described in subsection (a) to a user of a facility described in subsection (a) are exempt from the utility receipts tax.

Chapter 5. Deductions

Sec. 1. (a) Each taxable year a taxpayer is entitled to deduct from the taxpayer's gross receipts an amount equal to the product of:

(1) one thousand dollars ($1,000); multiplied by

(2) a fraction.

The numerator of the fraction is the number of days in the taxpayer's taxable year for which the taxpayer is subject to the utility receipts tax, and the denominator of the fraction is the number of days in the taxpayer's taxable year.

(b) If a taxpayer files quarterly gross receipts tax returns the taxpayer may use a proportionate part of the deduction provided by subsection (a) for each return filed.

(c) A taxpayer is entitled to only one (1) deduction under this section each taxable year, regardless of the number of partners or participants in the organization.

(d) An affiliated group that files a consolidated return under

IC 6-2.3-6-5 is entitled to only one (1) deduction under this section on that consolidated return.

Sec. 2. Each taxable year, a taxpayer that reports the taxpayer's gross receipts on an accrual basis is entitled to deduct bad debts from the taxpayer's gross receipts in the same manner provided in IC 6-2.5-6-9.

Sec. 3. (a) Except as provided in subsection (b), if:

(1) for federal income tax purposes a taxpayer is allowed a depreciation deduction for a particular taxable year with respect to a resource recovery system; and

(2) the resource recovery system processes solid waste or hazardous waste;

the taxpayer is entitled to a deduction from the taxpayer's gross receipts for that same taxable year. The amount of the deduction equals the total depreciation deductions that the taxpayer is allowed, with respect to the system, for that taxable year under Sections 167 and 179 of the Internal Revenue Code.

(b) A taxpayer is not entitled to the deduction provided by this section for a particular taxable year with respect to a resource recovery system that is directly used to dispose of hazardous waste if during that taxable year the taxpayer:

(1) is convicted of any violation under IC 13-7-13-3 (before its repeal), IC 13-7-13-4 (before its repeal), or IC 13-30-6; or

(2) is subject to an order or consent decree based upon a violation of a federal or state rule, regulation, or statute governing the treatment, storage, or disposal of hazardous wastes that had a major or moderate potential for harm.

Sec. 4. (a) Each taxable year a taxpayer is entitled to deduct from the taxpayer's gross receipts the amount paid by the taxpayer during that taxable year for the return of an empty container of the type customarily returned by the buyer of the contents for reuse as a container.

(b) If a taxpayer is required to file quarterly gross receipts tax returns, the taxpayer may claim the deduction provided by this section on those returns.

Sec. 5. A taxpayer is entitled to a deduction for gross receipts exempt from taxation under IC 6-8.1-15 and the Mobile Telecommunications Sourcing Act (4 U.S.C. 116 et seq.).

Sec. 6. A taxpayer is entitled to a deduction for retail sales of bottled water or gas to the extent that the purchase of the water or gas was treated as a retail transaction under IC 6-2.3-3-6.

Chapter 6. Returns

Sec. 1. (a) Except as provided in subsections (c) through (e), a taxpayer shall file utility receipts tax returns with, and pay the taxpayer's utility receipts tax liability to, the department by the due date of the estimated return. A taxpayer who uses a taxable year that ends on December 31 shall file the taxpayer's estimated utility receipts tax returns and pay the tax to the department on or before April 20, June 20, September 20, and December 20 of the taxable year. If a taxpayer uses a taxable year which does not end on December 31, the due dates for filing estimated utility receipts tax returns and paying the tax are on or before the twentieth day of the fourth, sixth, ninth, and twelfth months of the taxpayer's taxable year.

(b) With each return filed, with each payment by cashier's check, certified check, or money order delivered in person or by overnight courier, and with each electronic funds transfer made, a taxpayer shall pay to the department twenty-five percent (25%) of the estimated or the exact amount of utility receipts tax that is due.

(c) If a taxpayer's estimated annual utility receipts tax liability does not exceed one thousand dollars ($1,000), the taxpayer is not required to file an estimated utility receipts tax return.

(d) If the department determines that a taxpayer's:

(1) estimated quarterly utility receipts tax liability for the current year; or

(2) average estimated quarterly utility receipts tax liability for the preceding year;

exceeds ten thousand dollars ($10,000), the taxpayer shall pay the estimated utility receipts taxes due by electronic funds transfer (as defined in IC 4-8.1-2-7) or by delivering in person or by overnight courier a payment by cashier's check, certified check, or money order to the department. The transfer or payment shall be made on or before the date the tax is due.

(e) If a taxpayer's utility receipts tax payment is made by electronic funds transfer, the taxpayer is not required to file an estimated utility receipts tax return.

Sec. 2. (a) Every taxpayer who receives more than one thousand dollars ($1,000) in gross receipts during a particular taxable year shall file with the department an annual utility receipts tax return. At the time of filing an annual return, a taxpayer shall pay to the department an amount equal to the remainder of:

(1) the total utility receipts tax liability incurred by the taxpayer for that particular taxable year; minus

(2) the total amount of utility receipts taxes that was previously paid to the department for any quarter of that same taxable year.

(b) Except as provided in subsection (d), a taxpayer who uses a taxable year that ends on December 31 shall file the taxpayer's annual utility receipts tax return and pay the tax, if any, for that taxable year on or before April 15 of the immediately succeeding tax year.

(c) If a taxpayer uses a taxable year that does not end on December 31, the department shall prescribe the due dates for filing annual utility receipts tax returns and paying the tax.

(d) Any taxpayer who does not file an annual utility receipts tax return for a taxable year may be required to execute and file with the department a sworn statement that the taxpayer did not receive more than one thousand dollars ($1,000) of taxable gross receipts during that taxable year.

Sec. 3. Any forms prescribed by the department under IC 6-8.1-3-4 that concern the collection of the utility receipts tax may not require a taxpayer to show the corporate name or title of any stock or the name of the obligor of any other security from which the taxpayer derives gross receipts.

Sec. 4. The department may require a taxpayer who receives gross receipts at two (2) or more business locations within the state to file with each quarterly and annual utility receipts tax return an information return that shows the allocation of gross receipts to each business location at which the gross receipts were received.

Sec. 5. (a) Corporations are affiliated if at least eighty percent (80%) of the voting stock of one (1) corporation (exclusive of directors' qualifying shares) is owned by the other corporation. Every corporation affiliated with another corporation is affiliated with every corporation that is affiliated with such other corporation. All corporations so affiliated constitute an affiliated group.

(b) Corporate members of an affiliated group that are incorporated in Indiana or are authorized to do business in Indiana may file a consolidated utility receipts tax return.

(c) Each corporate member of an affiliated group that files a consolidated utility receipts tax return is jointly and severally liable for the utility receipts tax imposed on the affiliated group and on each member of that group.

(d) An affiliated group must elect at the time it files its first annual return whether or not it will file a consolidated utility

receipts tax return or whether each corporate member of the group will file a separate utility receipts tax return. After the taxpayer's election is made, the group must file utility receipts tax returns in the same manner as the group's first annual return is filed, unless the department allows the group to change the manner in which it files utility receipts tax returns.

(e) The first consolidated utility receipts tax return filed by an affiliated group may be filed by any member of the group incorporated in Indiana or authorized to do business in Indiana. Subsequent consolidated returns shall be filed by the member who filed the first consolidated return for the group, unless the department allows another member to file the group's consolidated returns.

Sec. 6. (a) A receiver, a trustee in dissolution, a trustee in bankruptcy, or an assignee operating the property or business of a taxpayer shall file a utility receipts tax return for that taxpayer and pay any tax due on gross receipts reported in the return in the same manner that the taxpayer would be required to file a return and pay the tax under this chapter if the taxpayer had control of the business or property.

(b) Any fiduciary filing a return under subsection (a) shall report all previously unreported income derived from property or business controlled by the fiduciary.

(c) The utility receipts tax liability imposed upon any property held by a fiduciary described in subsection (a) is a lien upon the property from which the gross receipts were derived.

(d) If any utility receipts tax is due and unpaid after a fiduciary described in subsection (a) is discharged, each distributee is liable for the utility receipts tax due in an amount equal to the quotient of:

(1) the distributee's share of the business or property sold; divided by

(2) the total distribution made by the fiduciary.

(e) Any resident of Indiana who is a fiduciary described in subsection (a), and who receives gross receipts for a distributee who is not an Indiana resident, must file a utility receipts tax return and pay the utility receipts tax due with that return before making a distribution to the distributee.

(f) Any taxpayer who is a resident of Indiana, and who receives gross receipts from a fiduciary described in subsection (a) who is not a resident of Indiana, shall file a return reporting the receipt of such gross receipts and shall pay any utility receipts tax due on

such gross receipts, as though the gross receipts had been received directly by the taxpayer, unless the nonresident fiduciary has already paid the tax due on the gross receipts.

Sec. 7. A taxpayer shall use either the cash or accrual method of accounting for purposes of determining the taxpayer's utility receipts tax liability. If a taxpayer uses either the cash or accrual method of accounting for federal tax purposes, the taxpayer must also use that same method in determining the taxpayer's utility receipts tax liability. If a taxpayer does not use either the cash or accrual method of accounting for federal tax purposes, the taxpayer shall use the cash method in determining the taxpayer's utility receipts tax liability.

Chapter 7. Penalties

Sec. 1. (a) A taxpayer who fails to keep records of the taxpayer's gross receipts and any other records that may be necessary to determine the amount of utility receipts tax the taxpayer owes for a period of three (3) years, as required by IC 6-8.1-5-4, commits a Class C infraction.

(b) A taxpayer who fails to permit records described in subsection (a) to be examined at any time by the department in accordance with IC 6-8.1-5-4 commits a Class C infraction.

(c) A taxpayer who knowingly fails to produce or permit the department to examine records described in subsection (a) or (b) commits a Class B misdemeanor.

Sec. 2. (a) A taxpayer or any officer, employee, or partner of a taxpayer who makes a false entry in the taxpayer's records with the intent to defraud the state or evade payment of the utility receipts tax commits a Class D felony.

(b) A taxpayer or any officer, employee, or partner of a taxpayer who keeps more than one (1) set of records for the taxpayer with the intent to defraud the state or evade the payment of the utility receipts tax commits a Class D felony.

Sec. 3. A person who fails to file a return required by this article or who enters false information in such a return with the intent to defraud the state commits a Class B misdemeanor.

Sec. 4. A taxpayer who knowingly fails to permit the department to inspect or appraise any property, or who knowingly fails to offer testimony or to produce any record as required in this article, commits a Class B misdemeanor.

Chapter 8. Miscellaneous

Sec. 1. On or before the fifth day of each month, the total amount of utility receipts tax revenues received by the department

in the immediately preceding month shall be deposited in the state general fund.

Sec. 2. Except as otherwise specifically provided in this article, the tax imposed by this article is in addition to all other licenses and taxes imposed by law as a condition precedent to engaging in any business, privilege, occupation, or activity that is taxable under such other license or tax.

Sec. 3. (a) No court may allow or approve any final report or account of a receiver, trustee in dissolution, trustee in bankruptcy, commissioner appointed for the sale of real estate, or any other officer acting under the authority and supervision of a court, unless the account or final report shows, and the court finds, that all utility receipts tax due has been paid, and that all utility receipts tax that may become due is secured by bond, deposit, or otherwise.

(b) A fiduciary described in subsection (a) shall provide proof to a court that all utility receipts tax has been paid, and that any required security has been provided. The fiduciary shall request the department to issue a certificate of clearance certifying that all utility receipts tax which is due and payable has been paid and that any required security has been provided. The certificate shall be issued by the department within thirty (30) days after request. When issued, the certificate is conclusive proof that no utility receipts tax is due and that any required security has been provided.

(c) If the department fails to issue a certificate of clearance under subsection (b) within thirty (30) days after request, a fiduciary may provide evidence to a court that demonstrates that no utility receipts tax is due and that any required security has been provided. Upon approval by the court, such evidence is conclusive proof of payment of the tax imposed by this article.

(d) Any utility receipts tax liability owed by a fiduciary is a preferred claim and has priority over all other claims except claims for judicial costs and costs of administration.

SECTION 48. IC 6-2.5-1-10 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: **Sec. 10. "Commercial printing" means a process or an activity, or both, that is related to the production of printed materials for others, including the following:**

(1) Receiving, processing, moving, storing, and transmitting, either physically or electronically, copy elements and images to be reproduced.

(2) Plate making or cylinder making.

(3) Applying ink by one (1) or more processes, such as printing by letter press, lithography, gravure, screen, or digital means.

(4) Casemaking and binding.

(5) Assembling, packaging, and distributing printed materials.

The term does not include the business of photocopying.

SECTION 49. IC 6-2.5-2-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE DECEMBER 1, 2002]: Sec. 2. (a) The state gross retail tax is measured by the gross retail income received by a retail merchant in a retail unitary transaction and is imposed at the following rates:

STATE GROSS RETAIL TAX	GROSS RETAIL INCOME FROM THE RETAIL UNITARY TRANSACTION		
~~$ 0~~		~~less than~~	~~$ .10~~
~~$ .01~~	~~at least $ .10,~~	~~but less than~~	~~$ .30~~
~~$ .02~~	~~at least $ .30,~~	~~but less than~~	~~$ .50~~
~~$ .03~~	~~at least $ .50,~~	~~but less than~~	~~$ .70~~
~~$ .04~~	~~at least $ .70,~~	~~but less than~~	~~$ .90~~
~~$ .05~~	~~at least $ .90,~~	~~but less than~~	~~$1.10~~
$ 0		**less than**	**$0.09**
$ 0.01	**at least $ 0.09**	**but less than**	**$0.25**
$ 0.02	**at least $ 0.25**	**but less than**	**$0.42**
$ 0.03	**at least $ 0.42**	**but less than**	**$0.59**
$ 0.04	**at least $ 0.59**	**but less than**	**$0.75**
$ 0.05	**at least $ 0.75**	**but less than**	**$0.92**
$ 0.06	**at least $ 0.92**	**but less than**	**$1.09**

On a retail unitary transaction in which the gross retail income received by the retail merchant is one dollar and ~~ten~~ **nine** cents ~~($1.10)~~ **($1.09)** or more, the state gross retail tax is ~~five~~ **six** percent ~~(5%)~~ **(6%)** of that gross retail income.

(b) If the tax, computed under subsection (a), results in a fraction of one-half cent ~~($.005)~~ **($0.005)** or more, the amount of the tax shall be rounded to the next additional cent.

SECTION 50. IC 6-2.5-5-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. (a) For purposes of this section:

(1) the retreading of tires shall be treated as the processing of tangible personal property; and

(2) commercial printing ~~as described in IC 6-2.1-2-4~~ shall be treated as the production and manufacture of tangible personal

property.

(b) Transactions involving manufacturing machinery, tools, and equipment are exempt from the state gross retail tax if the person acquiring that property acquires it for direct use in the direct production, manufacture, fabrication, assembly, extraction, mining, processing, refining, or finishing of other tangible personal property.

SECTION 51. IC 6-2.5-5-5.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 5.1. (a) As used in this section, "tangible personal property" includes electrical energy, natural or artificial gas, water, steam, and steam heat.

(b) Transactions involving tangible personal property are exempt from the state gross retail tax if the person acquiring the property acquires it for direct consumption as a material to be consumed in the direct production of other tangible personal property in the person's business of manufacturing, processing, refining, repairing, mining, agriculture, horticulture, floriculture, or arboriculture. This exemption includes transactions involving acquisitions of tangible personal property used in commercial printing. ~~as described in IC 6-2.1-2-4.~~

SECTION 52. IC 6-2.5-5-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 6. Transactions involving tangible personal property are exempt from the state gross retail tax if the person acquiring the property acquires it for incorporation as a material part of other tangible personal property which the purchaser manufactures, assembles, refines, or processes for sale in his business. This exemption includes transactions involving acquisitions of tangible personal property used in commercial printing. ~~as described in IC 6-2.1-2-4.~~

SECTION 53. IC 6-2.5-5-21 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 21. (a) **For purposes of this section, "private benefit or gain" does not include reasonable compensation paid to an employee for work or services actually performed.**

(b) Sales of food are exempt from the state gross retail tax, if:

(1) the seller ~~is an organization described in IC 6-2.1-3-19, IC 6-2.1-3-20, IC 6-2.1-3-21, or IC 6-2.1-3-22,~~ **meets the filing requirements under subsection (d) and is any of the following:**

(A) A fraternity, a sorority, or a student cooperative housing organization that is connected with and under the supervision of a college, a university, or any other educational institution if no part of its income is used for the private benefit or gain of any member, trustee, shareholder, employee, or associate.

(B) Any:

(i) institution;

(ii) trust;

(iii) group;

(iv) united fund;

(v) affiliated agency of a united fund;

(vi) nonprofit corporation;

(vii) cemetery association; or

(viii) organization;

that is organized and operated exclusively for religious, charitable, scientific, literary, educational, or civic purposes if no part of its income is used for the private benefit or gain of any member, trustee, shareholder, employee, or associate.

(C) A group, an organization, or a nonprofit corporation that is organized and operated for fraternal or social purposes, or as a business league or association, and not for the private benefit or gain of any member, trustee, shareholder, employee, or associate.

(D) A:

(i) hospital licensed by the state department of health;

(ii) shared hospital services organization exempt from federal income taxation by Section 501(c)(3) or 501(e) of the Internal Revenue Code;

(iii) labor union;

(iv) church;

(v) monastery;

(vi) convent;

(vii) school that is a part of the Indiana public school system;

(viii) parochial school regularly maintained by a recognized religious denomination; or

(ix) trust created for the purpose of paying pensions to members of a particular profession or business who created the trust for the purpose of paying pensions to each other;

if the taxpayer is not organized or operated for private profit or gain;

(2) the purchaser is a person confined to his home because of age, sickness, or infirmity;

(3) the seller delivers the food to the purchaser; and

(4) the delivery is prescribed as medically necessary by a

physician licensed to practice medicine in Indiana.

~~(b)~~ **(c)** Sales of food are exempt from the state gross retail tax, if the seller is an organization described in ~~IC 6-2.1-3-19,~~ ~~IC 6-2.1-3-20,~~ ~~IC 6-2.1-3-21,~~ ~~or IC 6-2.1-3-22~~ **subsection (b)(1),** and the purchaser is a patient in a hospital operated by the seller.

(d) To obtain the exemption provided by this section, a taxpayer must file an application for exemption with the department:

(1) before January 1, 2003, under IC 6-2.1-3-19 (repealed); or

(2) not later than one hundred twenty (120) days after the taxpayer's formation.

In addition, the taxpayer must file an annual report with the department on or before the fifteenth day of the fifth month following the close of each taxable year. If a taxpayer fails to file the report, the department shall notify the taxpayer of the failure. If within sixty (60) days after receiving such notice the taxpayer does not provide the report, the taxpayer's exemption shall be canceled. However, the department may reinstate the taxpayer's exemption if the taxpayer shows by petition that the failure was due to excusable neglect.

SECTION 54. IC 6-2.5-5-22 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 22. (a) Sales of school meals are exempt from the state gross retail tax, if:

(1) the seller is a school containing students in any grade, one (1) through twelve (12);

(2) the purchaser is one (1) of those students or a school employee; and

(3) the school furnishes the food on its premises.

(b) Sales of food by not-for-profit colleges or universities are exempt from the state gross retail tax, if the purchaser is a student at the college or university.

(c) Sales of meals after December 31, 1976, by a fraternity, sorority, or student cooperative housing organization described in ~~IC 6-2.1-3-19~~ **section 21(b)(1)(A) of this chapter** are exempt from the state gross retail tax, if the purchaser:

(1) is a member of the fraternity, sorority, or student cooperative housing organization; and

(2) is enrolled in the college, university, or educational institution with which the fraternity, sorority, or student cooperative housing organization is connected and by which it is supervised.

SECTION 55. IC 6-2.5-5-24 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 24. (a) Transactions are exempt from the state gross retail tax to the extent that

the gross retail income from those transactions is derived from gross receipts that are: ~~exempt from the gross income tax under IC 6-2.1-3-2, IC 6-2.1-3-3.5, IC 6-2.1-3-5, IC 6-2.1-3-6, IC 6-2.1-3-7, or IC 6-2.1-3-13.~~

(1) derived from sales to the United States government, to the extent the state is prohibited by the Constitution of the United States from taxing that gross income;

(2) derived from commercial printing that results in printed materials, excluding the business of photocopying, that are shipped, mailed, or delivered outside Indiana;

(3) United States or Indiana taxes received or collected as a collecting agent explicitly designated as a collecting agent for a tax by statute for the state or the United States;

(4) collections by a retail merchant of a retailer's excise tax imposed by the United States if:

(A) the tax is imposed solely on the sale at retail of tangible personal property;

(B) the tax is remitted to the appropriate taxing authority; and

(C) the retail merchant collects the tax separately as an addition to the price of the property sold;

(5) collections of a manufacturer's excise tax imposed by the United States on motor vehicles, motor vehicle bodies and chassis, parts and accessories for motor vehicles, tires, tubes for tires, or tread rubber and laminated tires, if the excise tax is separately stated by the collecting taxpayer as either an addition to or an inclusion in the price of the property sold; or

(6) amounts represented by an encumbrance of any kind on tangible personal property received by a retail merchant in reciprocal exchange for tangible personal property of like kind.

(b) Transactions are exempt from the state gross retail tax to the extent that the gross retail income from those transactions is derived from gross receipts that are: ~~exempt from the gross income tax under IC 6-2.1-3-1 or IC 6-2.1-3-3.~~

(1) interest or other earnings paid on bonds or other securities issued by the United States, to the extent the Constitution of the United States prohibits the taxation of that gross income; or

(2) derived from business conducted in commerce between the state and either another state or a foreign country, to the extent the state is prohibited from taxing that gross income by

the Constitution of the United States.

SECTION 56. IC 6-2.5-5-25 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 25. (a) Transactions involving tangible personal property or service are exempt from the state gross retail tax, if the person acquiring the property or service:

(1) is an organization ~~which is granted a gross income tax exemption under IC 6-2.1-3-20, IC 6-2.1-3-21, or IC 6-2.1-3-22;~~ **described in section 21(b)(1) of this chapter;**

(2) primarily uses the property or service to carry on or to raise money to carry on ~~the~~ **its** not-for-profit purpose; ~~for which it receives the gross income tax exemption;~~ and

(3) is not an organization operated predominantly for social purposes.

(b) Transactions occurring after December 31, 1976, and involving tangible personal property or service are exempt from the state gross retail tax, if the person acquiring the property or service:

(1) is a fraternity, sorority, or student cooperative housing organization ~~which is granted a gross income tax exemption under IC 6-2.1-3-19;~~ **described in section 21(b)(1)(A) of this chapter;** and

(2) uses the property or service to carry on its ordinary and usual activities and operations as a fraternity, sorority, or student cooperative housing organization.

SECTION 57. IC 6-2.5-5-26 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 26. (a) Sales of tangible personal property are exempt from the state gross retail tax, if:

(1) the seller is an organization ~~which~~ **that** is ~~granted a gross income tax exemption under IC 6-2.1-3-19, IC 6-2.1-3-20, IC 6-2.1-3-21, or IC 6-2.1-3-22;~~ **described in section 21(b)(1) of this chapter;**

(2) the organization makes the sale to make money to carry on ~~the~~ **a** not-for-profit purpose; ~~for which it receives its gross income tax exemption;~~ and

(3) the organization does not make those sales during more than thirty (30) days in a calendar year.

(b) Sales of tangible personal property are exempt from the state gross retail tax, if:

(1) the seller is an organization ~~which is granted a gross income tax exemption under IC 6-2.1-3-19, IC 6-2.1-3-20, IC 6-2.1-3-21, or IC 6-2.1-3-22;~~ **described in section 21(b)(1) of this chapter;**

(2) the seller is not operated predominantly for social purposes;

(3) the property sold is designed and intended primarily either for the organization's educational, cultural, or religious purposes, or for improvement of the work skills or professional qualifications of the organization's members; and

(4) the property sold is not designed or intended primarily for use in carrying on a private or proprietary business.

(c) The exemption provided by this section does not apply to an accredited college or university's sales of books, stationery, haberdashery, supplies, or other property.

SECTION 58. IC 6-2.5-6-1, AS AMENDED BY P.L.177-2002, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 1. (a) Each person liable for collecting the state gross retail or use tax shall file a return for each calendar month and pay the state gross retail and use taxes that the person collects during that month. A person shall file the person's return for a particular month with the department and make the person's tax payment for that month to the department not more than thirty (30) days after the end of that month, if that person's average monthly liability for collections of state gross retail and use taxes under this section as determined by the department for the preceding calendar year did not exceed one thousand dollars ($1,000). If a person's average monthly liability for collections of state gross retail and use taxes under this section as determined by the department for the preceding calendar year exceeded one thousand dollars ($1,000), that person shall file the person's return for a particular month and make the person's tax payment for that month to the department not more than twenty (20) days after the end of that month.

(b) If a person files a combined sales and withholding tax report and either this section or IC 6-3-4-8.1 requires sales or withholding tax reports to be filed and remittances to be made within twenty (20) days after the end of each month, then the person shall file the combined report and remit the sales and withholding taxes due within twenty (20) days after the end of each month.

(c) Instead of the twelve (12) monthly reporting periods required by subsection (a), the department may permit a person to divide a year into a different number of reporting periods. The return and payment for each reporting period is due not more than twenty (20) days after the end of the period.

(d) Instead of the reporting periods required under subsection (a), the department may permit a retail merchant to report and pay the merchant's state gross retail and use taxes for a period covering:

(1) a calendar year, if the retail merchant's average monthly state

gross retail and use tax liability in the previous calendar year does not exceed ten dollars ($10);

(2) a calendar half year, if the retail merchant's average monthly state gross retail and use tax liability in the previous calendar year does not exceed twenty-five dollars ($25); or

(3) a calendar quarter, if the retail merchant's average monthly state gross retail and use tax liability in the previous calendar year does not exceed seventy-five dollars ($75).

A retail merchant using a reporting period allowed under this subsection must file the merchant's return and pay the merchant's tax for a reporting period not later than the last day of the month immediately following the close of that reporting period.

(e) If a retail merchant reports the merchant's **adjusted** gross income tax, or the tax the merchant pays in place of the **adjusted** gross income tax, over a fiscal year or fiscal quarter not corresponding to the calendar year or calendar quarter, the merchant may, without prior departmental approval, report and pay the merchant's state gross retail and use taxes over the merchant's fiscal period that corresponds to the calendar period the merchant is permitted to use under subsection (d). However, the department may, at any time, require the retail merchant to stop using the fiscal reporting period.

(f) If a retail merchant files a combined sales and withholding tax report, the reporting period for the combined report is the shortest period required under:

(1) this section;

(2) IC 6-3-4-8; or

(3) IC 6-3-4-8.1.

(g) If the department determines that a person's:

(1) estimated monthly gross retail and use tax liability for the current year; or

(2) average monthly gross retail and use tax liability for the preceding year;

exceeds ten thousand dollars ($10,000), the person shall pay the monthly gross retail and use taxes due by electronic ~~fund~~ **funds** transfer (as defined in IC 4-8.1-2-7) or by delivering in person or by overnight courier a payment by cashier's check, certified check, or money order to the department. The transfer or payment shall be made on or before the date the tax is due.

(h) If a person's gross retail and use tax payment is made by electronic ~~fund~~ **funds** transfer, the taxpayer is not required to file a monthly gross retail and use tax return. However, the person shall file a quarterly gross retail and use tax return before the twentieth day after

the end of each calendar quarter.

SECTION 59. IC 6-2.5-6-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2. A retail merchant may, without prior departmental approval, report and pay his state gross retail and use taxes on an accrual basis, if he uses the accrual basis to pay and report the **adjusted** gross income tax or the tax imposed on him in place of the **adjusted** gross income tax. The department may, at any time, require the retail merchant to stop using the accrual basis.

SECTION 60. IC 6-2.5-6-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE DECEMBER 1, 2002]: Sec. 7. Except as otherwise provided in IC 6-2.5-7 or in this chapter, a retail merchant shall pay to the department, for a particular reporting period, an amount equal to the product of:

(1) ~~five~~ **six** percent ~~(5%),~~ **(6%);** multiplied by

(2) the retail merchant's total gross retail income from taxable transactions made during the reporting period.

The amount determined under this section is the retail merchant's state gross retail and use tax liability regardless of the amount of tax he actually collects.

SECTION 61. IC 6-2.5-6-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE DECEMBER 1, 2002]: Sec. 8. (a) For purposes of determining the amount of state gross retail and use taxes which he must remit under section 7 of this chapter, a retail merchant may exclude from his gross retail income from retail transactions made during a particular reporting period, an amount equal to the product of:

(1) the amount of that gross retail income; multiplied by

(2) the retail merchant's "income exclusion ratio" for the tax year which contains the reporting period.

(b) A retail merchant's "income exclusion ratio" for a particular tax year equals a fraction, the numerator of which is the retail merchant's estimated total gross retail income for the tax year from unitary retail transactions which produce gross retail income of less than ~~ten~~ **nine** cents ~~($.10)~~ **($0.09)** each, and the denominator of which is the retail merchant's estimated total gross retail income for the tax year from all retail transactions.

(c) In order to minimize a retail merchant's recordkeeping requirements, the department shall prescribe a procedure for determining the retail merchant's income exclusion ratio for a tax year, based on a period of time, not to exceed fifteen (15) consecutive days, during the first quarter of the retail merchant's tax year. However, the period of time may be changed if the change is requested by the retail

merchant because of his peculiar accounting procedures or marketing factors. In addition, if a retail merchant has multiple sales locations or diverse types of sales, the department shall permit the retail merchant to determine the ratio on the basis of a representative sampling of the locations and types of sales.

SECTION 62. IC 6-2.5-6-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE DECEMBER 1, 2002]: Sec. 10. (a) In order to compensate retail merchants for collecting and timely remitting the state gross retail tax and the state use tax, every retail merchant, except a retail merchant referred to in subsection (c), is entitled to deduct and retain from the amount of those taxes otherwise required to be remitted under IC 6-2.5-7-5 or under this chapter, if timely remitted, a retail merchant's collection allowance.

(b) The allowance equals ~~one~~ **eighty-three hundredths** percent ~~(1%)~~ **(0.83%)** of the retail merchant's state gross retail and use tax liability accrued during a reporting period.

(c) A retail merchant described in IC 6-2.5-4-5 or IC 6-2.5-4-6 is not entitled to the allowance provided by this section.

SECTION 63. IC 6-2.5-7-3, AS AMENDED BY P.L.222-1999, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE DECEMBER 1, 2002]: Sec. 3. (a) With respect to the sale of gasoline which is dispensed from a metered pump, a retail merchant shall collect, for each unit of gasoline sold, state gross retail tax in an amount equal to the product, rounded to the nearest one-tenth of one cent ~~($.001),~~ **($0.001),** of:

~~(i)~~ **(1)** the price per unit before the addition of state and federal taxes; multiplied by

~~(ii) five~~ **(2) six** percent ~~(5%).~~ **(6%).**

The retail merchant shall collect the state gross retail tax prescribed in this section even if the transaction is exempt from taxation under IC 6-2.5-5.

(b) With respect to the sale of special fuel or kerosene which is dispensed from a metered pump, unless the purchaser provides an exemption certificate in accordance with IC 6-2.5-8-8, a retail merchant shall collect, for each unit of special fuel or kerosene sold, state gross retail tax in an amount equal to the product, rounded to the nearest one-tenth of one cent ~~($.001),~~ **($0.001),** of:

~~(i)~~ **(1)** the price per unit before the addition of state and federal taxes; multiplied by

~~(ii) five~~ **(2) six** percent ~~(5%).~~ **(6%).**

Unless the exemption certificate is provided, the retail merchant shall collect the state gross retail tax prescribed in this section even if the

transaction is exempt from taxation under IC 6-2.5-5.

SECTION 64. IC 6-2.5-7-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE DECEMBER 1, 2002]: Sec. 5. (a) Each retail merchant who dispenses gasoline or special fuel from a metered pump shall, in the manner prescribed in IC 6-2.5-6, report to the department the following information:

(1) The total number of gallons of gasoline sold from a metered pump during the period covered by the report.

(2) The total amount of money received from the sale of gasoline described in subdivision (1) during the period covered by the report.

(3) That portion of the amount described in subdivision (2) which represents state and federal taxes imposed under ~~IC 6-2.5,~~ **this article,** IC 6-6-1.1, or Section 4081 of the Internal Revenue Code.

(4) The total number of gallons of special fuel sold from a metered pump during the period covered by the report.

(5) The total amount of money received from the sale of special fuel during the period covered by the report.

(6) That portion of the amount described in subdivision (5) that represents state and federal taxes imposed under ~~IC 6-2.5,~~ **this article,** IC 6-6-2.5, or Section 4041 of the Internal Revenue Code.

(b) Concurrently with filing the report, the retail merchant shall remit the state gross retail tax in an amount which equals ~~one twenty-first (1/21)~~ **five and sixty-six hundredths percent (5.66%)** of the gross receipts, including state gross retail taxes but excluding Indiana and federal gasoline and special fuel taxes, received by the retail merchant from the sale of the gasoline and special fuel that is covered by the report and on which the retail merchant was required to collect state gross retail tax. The retail merchant shall remit that amount regardless of the amount of state gross retail tax which he has actually collected under this chapter. However, the retail merchant is entitled to deduct and retain the amounts prescribed in subsection (c), IC 6-2.5-6-10, and IC 6-2.5-6-11.

(c) A retail merchant is entitled to deduct from the amount of state gross retail tax required to be remitted under subsection (b) an amount equal to:

(1) the sum of the prepayment amounts made during the period covered by the retail merchant's report; minus

(2) the sum of prepayment amounts collected by the retail merchant, in the merchant's capacity as a qualified distributor, during the period covered by the retail merchant's report.

For purposes of this section, a prepayment of the gross retail tax is

presumed to occur on the date on which it is invoiced.

SECTION 65. IC 6-2.5-10-1, AS AMENDED BY P.L.253-1999, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 1. (a) The department shall account for all state gross retail and use taxes that it collects.

(b) The department shall deposit those collections in the following manner:

(1) ~~Forty~~ **Fifty** percent ~~(40%)~~ **(50%)** of the collections shall be paid into the property tax replacement fund established under IC 6-1.1-21.

(2) ~~Fifty-nine and three-hundredths~~ **Forty-nine and one hundred ninety-two thousandths** percent ~~(59.03%)~~ **(49.192%)** of the collections shall be paid into the state general fund.

(3) ~~Seventy-six hundredths~~ **Six hundred thirty-five thousandths** of one percent ~~(0.76%)~~ **(0.635%)** of the collections shall be paid into the public mass transportation fund established by IC 8-23-3-8.

(4) ~~Four hundredths~~ **Thirty-three thousandths** of one percent ~~(0.04%)~~ **(0.033%)** of the collections shall be deposited into the industrial rail service fund established under IC 8-3-1.7-2.

(5) ~~Seventeen hundredths~~ **Fourteen hundredths** of one percent ~~(0.17%)~~ **(0.14%)** of the collections shall be deposited into the commuter rail service fund established under IC 8-3-1.5-20.5.

SECTION 66. IC 6-2.5-10-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2. The provisions of the **adjusted** gross income tax law ~~(IC 6-2.1),~~ **(IC 6-3),** which do not conflict with the provisions of this article and which deal with any of the following subjects, apply for the purposes of imposing, collecting, and administering the state gross retail and use taxes under this article:

(1) Filing of returns.
(2) Auditing of returns.
(3) Investigation of tax liability.
(4) Determination of tax liability.
(5) Notification of tax liability.
(6) Assessment of tax liability.
(7) Collection of tax liability.
(8) Examination of taxpayer's books and records.
(9) Legal proceedings.
(10) Court actions.
(11) Remedies.
(12) Privileges.
(13) Taxpayer and departmental relief.

(14) Statutes of limitations.
(15) Hearings.
(16) Refunds.
(17) Remittances.
(18) Imposition of penalties and interest.
(19) Maintenance of departmental records.
(20) Confidentiality of taxpayer's returns.
(21) Duties of the secretary of state and the treasurer of state.
(22) Administration.

SECTION 67. IC 6-3-1-3.5, AS AMENDED BY P.L.8-2002, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: Sec. 3.5. When used in this article, the term "adjusted gross income" shall mean the following:

(a) In the case of all individuals, "adjusted gross income" (as defined in Section 62 of the Internal Revenue Code), modified as follows:

(1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 62 of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state of the United States.

(3) Subtract one thousand dollars ($1,000), or in the case of a joint return filed by a husband and wife, subtract for each spouse one thousand dollars ($1,000).

(4) Subtract one thousand dollars ($1,000) for:

(A) each of the exemptions provided by Section 151(c) of the Internal Revenue Code;

(B) each additional amount allowable under Section 63(f) of the Internal Revenue Code; and

(C) the spouse of the taxpayer if a separate return is made by the taxpayer and if the spouse, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer.

(5) Subtract:

(A) one thousand five hundred dollars ($1,500) for each of the exemptions allowed under Section 151(c)(1)(B) of the Internal Revenue Code for taxable years beginning after December 31, 1996; and

(B) five hundred dollars ($500) for each additional amount allowable under Section 63(f)(1) of the Internal Revenue Code if the adjusted gross income of the taxpayer, or the taxpayer

and the taxpayer's spouse in the case of a joint return, is less than forty thousand dollars ($40,000).

This amount is in addition to the amount subtracted under subdivision (4).

(6) Subtract an amount equal to the lesser of:

(A) that part of the individual's adjusted gross income (as defined in Section 62 of the Internal Revenue Code) for that taxable year that is subject to a tax that is imposed by a political subdivision of another state and that is imposed on or measured by income; or

(B) two thousand dollars ($2,000).

(7) Add an amount equal to the total capital gain portion of a lump sum distribution (as defined in Section 402(e)(4)(D) of the Internal Revenue Code) if the lump sum distribution is received by the individual during the taxable year and if the capital gain portion of the distribution is taxed in the manner provided in Section 402 of the Internal Revenue Code.

(8) Subtract any amounts included in federal adjusted gross income under **Section 111 of the** Internal Revenue Code ~~Section 111~~ as a recovery of items previously deducted as an itemized deduction from adjusted gross income.

(9) Subtract any amounts included in federal adjusted gross income under the Internal Revenue Code which amounts were received by the individual as supplemental railroad retirement annuities under 45 U.S.C. 231 and which are not deductible under subdivision (1).

(10) Add an amount equal to the deduction allowed under Section 221 of the Internal Revenue Code for married couples filing joint returns if the taxable year began before January 1, 1987.

(11) Add an amount equal to the interest excluded from federal gross income by the individual for the taxable year under Section 128 of the Internal Revenue Code if the taxable year began before January 1, 1985.

(12) Subtract an amount equal to the amount of federal Social Security and Railroad Retirement benefits included in a taxpayer's federal gross income by Section 86 of the Internal Revenue Code.

(13) In the case of a nonresident taxpayer or a resident taxpayer residing in Indiana for a period of less than the taxpayer's entire taxable year, the total amount of the deductions allowed pursuant to subdivisions (3), (4), (5), and (6) shall be reduced to an amount which bears the same ratio to the total as the taxpayer's income taxable in Indiana bears to the taxpayer's total income.

(14) In the case of an individual who is a recipient of assistance under IC 12-10-6-1, IC 12-10-6-2, IC 12-15-2-2, or IC 12-15-7, subtract an amount equal to that portion of the individual's adjusted gross income with respect to which the individual is not allowed under federal law to retain an amount to pay state and local income taxes.

(15) In the case of an eligible individual, subtract the amount of a Holocaust victim's settlement payment included in the individual's federal adjusted gross income.

(16) For taxable years beginning after December 31, 1999, subtract an amount equal to the portion of any premiums paid during the taxable year by the taxpayer for a qualified long term care policy (as defined in IC 12-15-39.6-5) for the taxpayer or the taxpayer's spouse, or both.

(17) Subtract an amount equal to the lesser of:

(A) two thousand five hundred dollars ($2,500); or

(B) the amount of property taxes that are paid during the taxable year in Indiana by the individual on the individual's principal place of residence.

(18) Subtract an amount equal to the amount of a September 11 terrorist attack settlement payment included in the individual's federal adjusted gross income.

(b) In the case of corporations, the same as "taxable income" (as defined in Section 63 of the Internal Revenue Code) adjusted as follows:

(1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 170 of the Internal Revenue Code.

(3) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 63 of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state of the United States.

(4) Subtract an amount equal to the amount included in the corporation's taxable income under Section 78 of the Internal Revenue Code.

(c) **In the case of life insurance companies (as defined in Section 816(a) of the Internal Revenue Code) that are organized under Indiana law, the same as "life insurance company taxable income" (as defined in Section 801 of the Internal Revenue Code), adjusted as follows:**

(1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction allowed or allowable under Section 170 of the Internal Revenue Code.

(3) Add an amount equal to a deduction allowed or allowable under Section 805 or Section 831(c) of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state.

(4) Subtract an amount equal to the amount included in the company's taxable income under Section 78 of the Internal Revenue Code.

(d) In the case of insurance companies subject to tax under Section 831 of the Internal Revenue Code and organized under Indiana law, the same as "taxable income" (as defined in Section 832 of the Internal Revenue Code), adjusted as follows:

(1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction allowed or allowable under Section 170 of the Internal Revenue Code.

(3) Add an amount equal to a deduction allowed or allowable under Section 805 or Section 831(c) of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state.

(4) Subtract an amount equal to the amount included in the company's taxable income under Section 78 of the Internal Revenue Code.

(e) In the case of trusts and estates, "taxable income" (as defined for trusts and estates in Section 641(b) of the Internal Revenue Code) reduced by:

(1) income that is exempt from taxation under this article by the Constitution and statutes of the United States; and

(2) an amount equal to the amount of a September 11 terrorist attack settlement payment included in the federal adjusted gross income of the estate of a victim of the September 11 terrorist attack or a trust to the extent the trust benefits a victim of the September 11 terrorist attack.

SECTION 68. IC 6-3-1-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 10. ~~The term~~ **As used in this article,** "corporation" includes all corporations, associations, real estate investment trusts (as defined in the Internal Revenue Code), joint stock companies, whether organized for profit or not-for-profit, any receiver, trustee or conservator thereof, business

trusts, Massachusetts trusts, any proprietorship or partnership taxable under Section 1361 of the Internal Revenue Code, and any publicly traded partnership that is treated as a corporation for federal income tax purposes under Section 7704 of the Internal Revenue Code. **The term includes life insurance companies (as defined in Section 816(a) of the Internal Revenue Code) and insurance companies subject to tax under Section 831 of the Internal Revenue Code.**

SECTION 69. IC 6-3-1-11, AS AMENDED BY P.L.177-2002, SECTION 11, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 11. (a) The term "Internal Revenue Code" means the Internal Revenue Code of 1986 of the United States as amended and in effect on January 1, 2002.

(b) Whenever the Internal Revenue Code is mentioned in this article, the particular provisions that are referred to, together with all the other provisions of the Internal Revenue Code in effect on January 1, 2002, that pertain to the provisions specifically mentioned, shall be regarded as incorporated in this article by reference and have the same force and effect as though fully set forth in this article. To the extent the provisions apply to this article, regulations adopted under Section 7805(a) of the Internal Revenue Code and in effect on January 1, 2002, shall be regarded as rules adopted by the department under this article, unless the department adopts specific rules that supersede the regulation.

(c) An amendment to the Internal Revenue Code made by an act passed by Congress before January 1, 2002, that is effective for any taxable year that began before January 1, 2002, and that affects:

(1) individual adjusted gross income (as defined in Section 62 of the Internal Revenue Code);

(2) corporate taxable income (as defined in Section 63 of the Internal Revenue Code);

(3) trust and estate taxable income (as defined in Section 641(b) of the Internal Revenue Code);

(4) life insurance company taxable income (as defined in Section 801(b) of the Internal Revenue Code);

(5) mutual insurance company taxable income (as defined in Section 821(b) of the Internal Revenue Code); or

(6) taxable income (as defined in Section 832 of the Internal Revenue Code);

is also effective for that same taxable year for purposes of determining adjusted gross income under ~~IC 6-3-1-3.5 and net income under IC 6-3-8-2(b).~~ **section 3.5 of this chapter.**

SECTION 70. IC 6-3-2-1 IS AMENDED TO READ AS FOLLOWS

[EFFECTIVE JANUARY 1, 2003]: Sec. 1. (a) Each taxable year, a tax at the rate of three and four-tenths percent (3.4%) of adjusted gross income is imposed upon the adjusted gross income of every resident person, and on that part of the adjusted gross income derived from sources within Indiana of every nonresident person.

(b) Each taxable year, a tax at the rate of ~~three~~ **eight** and ~~four-tenths~~ **five-tenths** percent ~~(3.4%)~~ **(8.5%)** of adjusted gross income is imposed on that part of the adjusted gross income derived from sources within Indiana of every corporation.

SECTION 71. IC 6-3-2-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2. (a) With regard to corporations and nonresident persons, "adjusted gross income derived from sources within Indiana", for the purposes of this article, shall mean and include:

(1) income from real or tangible personal property located in this state;

(2) income from doing business in this state;

(3) income from a trade or profession conducted in this state;

(4) compensation for labor or services rendered within this state; and

(5) income from stocks, bonds, notes, bank deposits, patents, copyrights, secret processes and formulas, good will, trademarks, trade brands, franchises, and other intangible personal property if the receipt from the intangible is attributable to Indiana under section 2.2 of this chapter.

In the case of nonbusiness income described in subsection (g), only so much of such income as is allocated to this state under the provisions of subsections (h) through (k) shall be deemed to be derived from sources within Indiana. In the case of business income, only so much of such income as is apportioned to this state under the provision of subsection (b) shall be deemed to be derived from sources within the state of Indiana. In the case of compensation of a team member (as defined in section 2.7 of this chapter) only the portion of income determined to be Indiana income under section 2.7 of this chapter is considered derived from sources within Indiana. **In the case of a corporation that is a life insurance company (as defined in Section 816(a) of the Internal Revenue Code) or an insurance company that is subject to tax under Section 831 of the Internal Revenue Code, only so much of the income as is apportioned to Indiana under subsection (r) is considered derived from sources within Indiana.**

(b) Except as provided in subsection (l), if business income of a

corporation or a nonresident person is derived from sources within the state of Indiana and from sources without the state of Indiana, then the business income derived from sources within this state shall be determined by multiplying the business income derived from sources both within and without the state of Indiana by a fraction, the numerator of which is the property factor plus the payroll factor plus the sales factor, and the denominator of which is three (3). However, after a period of two (2) consecutive quarters of income growth and one (1) additional quarter (regardless of any income growth), the fraction shall be computed as follows:

(1) For all taxable years that begin within the first calendar year immediately following the period, the numerator of the fraction is the sum of the property factor plus the payroll factor plus one hundred thirty-three percent (133%) of the sales factor, and the denominator of the fraction is three and thirty-three hundredths (3.33).

(2) For all taxable years that begin within the second calendar year following the period, the numerator of the fraction is the property factor plus the payroll factor plus one hundred sixty-seven percent (167%) of the sales factor, and the denominator of the fraction is three and sixty-seven hundredths (3.67).

(3) For all taxable years beginning on or after January 1 of the third calendar year following the period, the numerator of the fraction is the property factor plus the payroll factor plus two hundred percent (200%) of the sales factor, and the denominator of the fraction is four (4).

For purposes of this subsection, income growth occurs when the state's nonfarm personal income for a calendar quarter increases in comparison with the state's nonfarm personal income for the immediately preceding quarter at an annualized compound rate of five percent (5%) or more, as determined by the budget agency based on current dollar figures provided by the Bureau of Economic Analysis of the United States Department of Commerce or its successor agency. The annualized compound rate shall be computed in accordance with the formula $(1+N)^4-1$, where N equals the percentage change in the state's current dollar nonfarm personal income from one (1) quarter to the next. As soon as possible after two (2) consecutive quarters of income growth, the budget agency shall advise the department of the growth.

(c) The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property

owned or rented and used in this state during the taxable year and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used during the taxable year. However, with respect to a foreign corporation, the denominator does not include the average value of real or tangible personal property owned or rented and used in a place that is outside the United States. Property owned by the taxpayer is valued at its original cost. Property rented by the taxpayer is valued at eight (8) times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the taxpayer less any annual rental rate received by the taxpayer from subrentals. The average of property shall be determined by averaging the values at the beginning and ending of the taxable year, but the department may require the averaging of monthly values during the taxable year if reasonably required to reflect properly the average value of the taxpayer's property.

(d) The payroll factor is a fraction, the numerator of which is the total amount paid in this state during the taxable year by the taxpayer for compensation, and the denominator of which is the total compensation paid everywhere during the taxable year. However, with respect to a foreign corporation, the denominator does not include compensation paid in a place that is outside the United States. Compensation is paid in this state if:

(1) the individual's service is performed entirely within the state;

(2) the individual's service is performed both within and without this state, but the service performed without this state is incidental to the individual's service within this state; or

(3) some of the service is performed in this state and:

(A) the base of operations or, if there is no base of operations, the place from which the service is directed or controlled is in this state; or

(B) the base of operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual is a resident of this state.

(e) The sales factor is a fraction, the numerator of which is the total sales of the taxpayer in this state during the taxable year, and the denominator of which is the total sales of the taxpayer everywhere during the taxable year. Sales include receipts from intangible property and receipts from the sale or exchange of intangible property. However, with respect to a foreign corporation, the denominator does not include sales made in a place that is outside the United States. Receipts from intangible personal property are derived from sources within Indiana

if the receipts from the intangible personal property are attributable to Indiana under section 2.2 of this chapter. Sales of tangible personal property are in this state if:

(1) the property is delivered or shipped to a purchaser, other than the United States government, within this state, regardless of the f.o.b. point or other conditions of the sale; or

(2) the property is shipped from an office, a store, a warehouse, a factory, or other place of storage in this state and:

(A) the purchaser is the United States government; or

(B) the taxpayer is not taxable in the state of the purchaser.

Gross receipts derived from commercial printing as described in ~~IC 6-2.1-2-4~~ **IC 6-2.5-1-10** shall be treated as sales of tangible personal property for purposes of this chapter.

(f) Sales, other than receipts from intangible property covered by subsection (e) and sales of tangible personal property, are in this state if:

(1) the income-producing activity is performed in this state; or

(2) the income-producing activity is performed both within and without this state and a greater proportion of the income-producing activity is performed in this state than in any other state, based on costs of performance.

(g) Rents and royalties from real or tangible personal property, capital gains, interest, dividends, or patent or copyright royalties, to the extent that they constitute nonbusiness income, shall be allocated as provided in subsections (h) through (k).

(h)(1) Net rents and royalties from real property located in this state are allocable to this state.

(2) Net rents and royalties from tangible personal property are allocated to this state:

(i) if and to the extent that the property is utilized in this state; or

(ii) in their entirety if the taxpayer's commercial domicile is in this state and the taxpayer is not organized under the laws of or taxable in the state in which the property is utilized.

(3) The extent of utilization of tangible personal property in a state is determined by multiplying the rents and royalties by a fraction, the numerator of which is the number of days of physical location of the property in the state during the rental or royalty period in the taxable year, and the denominator of which is the number of days of physical location of the property everywhere during all rental or royalty periods in the taxable year. If the physical location of the property during the rental or royalty period is unknown or unascertainable by the taxpayer, tangible personal property is utilized in the state in which the property

was located at the time the rental or royalty payer obtained possession.

(i)(1) Capital gains and losses from sales of real property located in this state are allocable to this state.

(2) Capital gains and losses from sales of tangible personal property are allocable to this state if:

(i) the property had a situs in this state at the time of the sale; or

(ii) the taxpayer's commercial domicile is in this state and the taxpayer is not taxable in the state in which the property had a situs.

(3) Capital gains and losses from sales of intangible personal property are allocable to this state if the taxpayer's commercial domicile is in this state.

(j) Interest and dividends are allocable to this state if the taxpayer's commercial domicile is in this state.

(k)(1) Patent and copyright royalties are allocable to this state:

(i) if and to the extent that the patent or copyright is utilized by the taxpayer in this state; or

(ii) if and to the extent that the patent or copyright is utilized by the taxpayer in a state in which the taxpayer is not taxable and the taxpayer's commercial domicile is in this state.

(2) A patent is utilized in a state to the extent that it is employed in production, fabrication, manufacturing, or other processing in the state or to the extent that a patented product is produced in the state. If the basis of receipts from patent royalties does not permit allocation to states or if the accounting procedures do not reflect states of utilization, the patent is utilized in the state in which the taxpayer's commercial domicile is located.

(3) A copyright is utilized in a state to the extent that printing or other publication originates in the state. If the basis of receipts from copyright royalties does not permit allocation to states or if the accounting procedures do not reflect states of utilization, the copyright is utilized in the state in which the taxpayer's commercial domicile is located.

(l) If the allocation and apportionment provisions of this article do not fairly represent the taxpayer's income derived from sources within the state of Indiana, the taxpayer may petition for or the department may require, in respect to all or any part of the taxpayer's business activity, if reasonable:

(1) separate accounting;

(2) the exclusion of any one (1) or more of the factors;

(3) the inclusion of one (1) or more additional factors which will fairly represent the taxpayer's income derived from sources within

the state of Indiana; or

(4) the employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer's income.

(m) In the case of two (2) or more organizations, trades, or businesses owned or controlled directly or indirectly by the same interests, the department shall distribute, apportion, or allocate the income derived from sources within the state of Indiana between and among those organizations, trades, or businesses in order to fairly reflect and report the income derived from sources within the state of Indiana by various taxpayers.

(n) For purposes of allocation and apportionment of income under this article, a taxpayer is taxable in another state if:

(1) in that state the taxpayer is subject to a net income tax, a franchise tax measured by net income, a franchise tax for the privilege of doing business, or a corporate stock tax; or

(2) that state has jurisdiction to subject the taxpayer to a net income tax regardless of whether, in fact, the state does or does not.

(o) Notwithstanding subsections (l) and (m), the department may not, under any circumstances, require that income, deductions, and credits attributable to a taxpayer and another entity be reported in a combined income tax return for any taxable year, if the other entity is:

(1) a foreign corporation; or

(2) a corporation that is classified as a foreign operating corporation for the taxable year by section 2.4 of this chapter.

(p) Notwithstanding subsections (l) and (m), the department may not require that income, deductions, and credits attributable to a taxpayer and another entity not described in subsection (o)(1) or (o)(2) be reported in a combined income tax return for any taxable year, unless the department is unable to fairly reflect the taxpayer's adjusted gross income for the taxable year through use of other powers granted to the department by subsections (l) and (m).

(q) Notwithstanding subsections (o) and (p), one (1) or more taxpayers may petition the department under subsection (l) for permission to file a combined income tax return for a taxable year. The petition to file a combined income tax return must be completed and filed with the department not more than thirty (30) days after the end of the taxpayer's taxable year.

(r) This subsection applies to a corporation that is a life insurance company (as defined in Section 816(a) of the Internal Revenue Code) or an insurance company that is subject to tax under Section 831 of the Internal Revenue Code. The corporation's

adjusted gross income that is derived from sources within Indiana is determined by multiplying the corporation's adjusted gross income by a fraction:

(1) the numerator of which is the direct premiums and annuity considerations received during the taxable year for insurance upon property or risks in the state; and

(2) the denominator of which is the direct premiums and annuity considerations received during the taxable year for insurance upon property or risks everywhere.

The term "direct premiums and annuity considerations" means the gross premiums received from direct business as reported in the corporation's annual statement filed with the department of insurance.

SECTION 72. IC 6-3-2-2.3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2.3. Notwithstanding any other provision of this article, with respect to a person, corporation, or partnership that has contracted with a commercial printer for printing:

(1) the ownership or leasing by that entity of tangible or intangible property located at the Indiana premises of the commercial printer;

(2) the sale by that entity of property of any kind produced at and shipped or distributed from the Indiana premises of the commercial printer;

(3) the activities of any kind performed by or on behalf of that entity at the Indiana premises of the commercial printer; and

(4) the activities performed by the commercial printer in Indiana for or on behalf of that entity;

shall not cause that entity to have adjusted gross income derived from sources within Indiana for purposes of the taxes imposed by this chapter, ~~and IC 6-3-8,~~ unless that entity engages in other activities in Indiana away from the premises of the commercial printer that exceed the protection of 15 U.S.C. 381.

SECTION 73. IC 6-3-2-2.6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2.6. (a) This section applies to a corporation or a nonresident person, for a particular taxable year, if the taxpayer's adjusted gross income for that taxable year is reduced because of a deduction allowed under Section 172 of the Internal Revenue Code for a net operating loss. For purposes of section 1 of this chapter, the taxpayer's adjusted gross income, for the particular taxable year, derived from sources within Indiana is the remainder determined under STEP FOUR of the following formula:

STEP ONE: Determine, in the manner prescribed in section 2 of this chapter, the taxpayer's adjusted gross income, for the taxable year, derived from sources within Indiana, as calculated without the deduction for net operating losses provided by Section 172 of the Internal Revenue Code.

STEP TWO: Determine, in the manner prescribed in subsection (b), the amount of the taxpayer's net operating losses that are deductible for the taxable year under Section 172 of the Internal Revenue Code, as adjusted to reflect the modifications required by IC 6-3-1-3.5, and that are derived from sources within Indiana.

STEP THREE: Enter the larger of zero (0) or the amount determined under STEP TWO.

STEP FOUR: Subtract the amount entered under STEP THREE from the amount determined under STEP ONE.

(b) For purposes of STEP TWO of subsection (a), the modifications that are to be applied are those modifications required under IC 6-3-1-3.5 for the same taxable year during which each net operating loss was incurred. In addition, for purposes of STEP TWO of subsection (a), the amount of a taxpayer's net operating losses that are derived from sources within Indiana shall be determined in the same manner that the amount of the taxpayer's income derived from sources within Indiana is determined, under section 2 of this chapter, for the same taxable year during which each loss was incurred. Also, for purposes of STEP TWO of subsection (a), the following procedures apply:

(1) The taxpayer's net operating loss for a particular taxable year shall be treated as a positive number.

(2) A modification that is to be added to federal adjusted gross income or federal taxable income under IC 6-3-1-3.5 shall be treated as a negative number.

(3) A modification that is to be subtracted from federal adjusted gross income or federal taxable income under IC 6-3-1-3.5 shall be treated as a positive number.

(4) A net operating loss under this section shall be considered even though in the year the taxpayer incurred the loss the taxpayer was not subject to the tax imposed under section 1 of this chapter because the taxpayer was:

(A) a life insurance company (as defined in Section 816(a) of the Internal Revenue Code); or

(B) an insurance company subject to tax under Section 831 of the Internal Revenue Code.

SECTION 74. IC 6-3-2-2.8 IS AMENDED TO READ AS

FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2.8. Notwithstanding any provision of IC 6-3-1 through IC 6-3-7, there shall be no tax on the adjusted gross income of the following:

(1) Any organization described in Section 501(a) of the Internal Revenue Code, except that any income of such organization which is subject to income tax under the Internal Revenue Code shall be subject to the tax under IC 6-3-1 through IC 6-3-7.

(2) Any corporation which is exempt from income tax under Section 1363 of the Internal Revenue Code and which complies with the requirements of IC 6-3-4-13. However, income of a corporation described under this subdivision that is subject to income tax under the Internal Revenue Code is subject to the tax under IC 6-3-1 through IC 6-3-7. A corporation will not lose its exemption under this section because it fails to comply with IC 6-3-4-13 but it will be subject to the penalties provided by IC 6-8.1-10.

(3) Banks and trust companies, national banking associations, savings banks, building and loan associations, and savings and loan associations.

(4) Insurance companies subject to tax under IC 27-1-18-2, **including a domestic insurance company that elects to be taxed under IC 27-1-18-2.**

(5) International banking facilities (as defined in Regulation D of the Board of Governors of the Federal Reserve System (12 CFR 204)).

SECTION 75. IC 6-3-2-3.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3.1. (a) Except as otherwise provided in subsection (b), income is not exempt from the adjusted gross income tax ~~or the supplemental net income tax,~~ under section 2.8(1) of this chapter if the income is derived by the exempt organization from an unrelated trade or business, as defined in Section 513 of the Internal Revenue Code.

(b) This section does not apply to:

(1) the United States government;

(2) an agency or instrumentality of the United States government;

(3) this state;

(4) a state agency, as defined in IC 34-6-2-141;

(5) a political subdivision, as defined in IC 34-6-2-110; or

(6) a county solid waste management district or a joint solid waste management district established under IC 13-21 or IC 13-9.5-2 (before its repeal).

SECTION 76. IC 6-3-2-3.5 IS AMENDED TO READ AS

FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3.5. **(a) For purposes of this section, "public transportation services" means the transportation of individuals for hire.**

(b) All fares collected for public transportation services are exempt from the income taxes imposed by this article if the fares are ~~exempt from the gross income tax under IC 6-2.1-3-27.~~ **received by a:**

(1) public transportation corporation established under IC 36-9-4;

(2) public transit department established by ordinance under IC 36; or

(3) lessee common carrier that provides public transportation services under IC 36.

(c) Fares collected for public transportation services by a private corporation are exempt from income taxes imposed by this article if during the tax year at least eighty percent (80%) of the corporation's total regularly scheduled bus passenger vehicle route miles are within the corporation's designated regional service area. A private corporation's designated regional service area may not be greater than:

(1) the county that the private corporation designates as its principal place of business; and

(2) all counties contiguous to the county designated by the private corporation as its principal place of business.

A private corporation may choose a smaller area as its regional service area.

SECTION 77. IC 6-3-2-6, AS AMENDED BY P.L.14-1999, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 6. (a) Each taxable year, an individual who rents a dwelling for use as ~~his~~ **the individual's** principal place of residence may deduct from ~~his~~ **the individual's** adjusted gross income (as defined in IC 6-3-1-3.5(a)), the lesser of:

(1) the amount of rent paid by ~~him~~ **the individual** with respect to the dwelling during the taxable year; or

(2) two thousand **five hundred** dollars ~~($2,000).~~ **($2,500).**

(b) Notwithstanding subsection (a), a husband and wife filing a joint adjusted gross income tax return for a particular taxable year may not claim a deduction under this section of more than two thousand **five hundred** dollars ~~($2,000).~~ **($2,500).**

(c) The deduction provided by this section does not apply to an individual who rents a dwelling that is exempt from Indiana property tax.

(d) For purposes of this section, a "dwelling" includes a single

family dwelling and unit of a multi-family dwelling.

SECTION 78. IC 6-3-2-14 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 14. **(a) The first one thousand two hundred dollars ($1,200) of** prize money received from a winning lottery ticket purchased under IC 4-30 is exempt from the adjusted gross income tax and supplemental net income tax imposed by this article. **If the amount of prize money received from a winning lottery ticket exceeds one thousand two hundred dollars ($1,200), the amount of the excess is subject to the adjusted gross income tax and supplemental net income tax imposed by this article.**

(b) This section expires January 1, 2003.

SECTION 79. IC 6-3-2-14.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: **Sec. 14.5. The first one thousand two hundred dollars ($1,200) of prize money received from a winning lottery ticket purchased under IC 4-30 is exempt from the adjusted gross income tax imposed by this article. If the amount of prize money received from a winning lottery ticket exceeds one thousand two hundred dollars ($1,200), the amount of the excess is subject to the adjusted gross income tax imposed by this article.**

SECTION 80. IC 6-3-4-4.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4.1. (a) This section applies to taxable years beginning after December 31, 1993.

(b) Any individual required by the Internal Revenue Code to file estimated tax returns and to make payments on account of such estimated tax shall file estimated tax returns and make payments of the tax imposed by this article to the department at the time or times and in the installments as provided by Section 6654 of the Internal Revenue Code. However, in applying Section 6654 of the Internal Revenue Code for the purposes of this article, "estimated tax" means the amount which the individual estimates as the amount of the adjusted gross income tax imposed by this article for the taxable year, minus the amount which the individual estimates as the sum of any credits against the tax provided by IC 6-3-3.

(c) Every individual who has **adjusted** gross income subject to the tax imposed by this article and from which tax is not withheld under the requirements of section 8 of this chapter shall make a declaration of estimated tax for the taxable year. However, no such declaration shall be required if the estimated tax can reasonably be expected to be less than four hundred dollars ($400). In the case of an underpayment of the estimated tax as provided in Section 6654 of the Internal

Revenue Code, there shall be added to the tax a penalty in an amount prescribed by IC 6-8.1-10-2.1(b).

(d) Every corporation subject to the adjusted gross income tax liability imposed by IC 6-3 shall be required to report and pay an estimated tax equal to twenty-five percent (25%) of such corporation's estimated adjusted gross income tax liability for the taxable year. ~~less the credit allowed by IC 6-3-3-2 for the tax imposed on gross income. Such estimated payment shall be made at the same time and in conjunction with the reporting of gross income tax as provided for in IC 6-2.1-5.~~ **A taxpayer who uses a taxable year that ends on December 31 shall file the taxpayer's estimated adjusted gross income tax returns and pay the tax to the department on or before April 20, June 20, September 20, and December 20 of the taxable year. If a taxpayer uses a taxable year that does not end on December 31, the due dates for filing estimated adjusted gross income tax returns and paying the tax are on or before the twentieth day of the fourth, sixth, ninth, and twelfth months of the taxpayer's taxable year.** The department shall prescribe the manner and forms for such reporting and payment.

(e) The penalty prescribed by IC 6-8.1-10-2.1(b) shall be assessed by the department on corporations failing to make payments as required in subsection (d) or (g). However, no penalty shall be assessed as to any estimated payments of adjusted gross income tax plus ~~supplemental net income tax plus gross income~~ **utility receipts** tax which equal or exceed:

(1) twenty percent (20%) of the final tax liability for such taxable year; or

(2) twenty-five percent (25%) of the final tax liability for the taxpayer's previous taxable year.

In addition, the penalty as to any underpayment of tax on an estimated return shall only be assessed on the difference between the actual amount paid by the corporation on such estimated return and twenty-five percent (25%) ~~of the sum~~ of the corporation's final adjusted gross income tax ~~plus supplemental net income tax~~ liability for such taxable year.

(f) The provisions of subsection (d) requiring the reporting and estimated payment of adjusted gross income tax shall be applicable only to corporations having an adjusted gross income tax liability which, after application of the credit allowed by IC 6-3-3-2, shall exceed one thousand dollars ($1,000) for its taxable year.

(g) If the department determines that a corporation's:

(1) estimated quarterly adjusted gross income tax liability for the

current year; or

(2) average estimated quarterly adjusted gross income tax liability for the preceding year;

exceeds, before January 1, 1998, twenty thousand dollars ($20,000), and, after December 31, 1997, ten thousand dollars ($10,000), after the credit allowed by IC 6-3-3-2, the corporation shall pay the estimated adjusted gross income taxes due by electronic funds transfer (as defined in IC 4-8.1-2-7) or by delivering in person or overnight by courier a payment by cashier's check, certified check, or money order to the department. The transfer or payment shall be made on or before the date the tax is due.

(h) If a corporation's adjusted gross income tax payment is made by electronic funds transfer, the corporation is not required to file an estimated adjusted gross income tax return.

SECTION 81. IC 6-3-4-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 8. (a) Except as provided in subsection (d) **or (l),** every employer making payments of wages subject to tax under ~~IC 6-3,~~ **this article,** regardless of the place where such payment is made, who is required under the provisions of the Internal Revenue Code to withhold, collect, and pay over income tax on wages paid by such employer to such employee, shall, at the time of payment of such wages, deduct and retain therefrom the amount prescribed in withholding instructions issued by the department. The department shall base its withholding instructions on the adjusted gross income tax rate for persons, on the total rates of any income taxes that the taxpayer is subject to under IC 6-3.5, and on the total amount of exclusions the taxpayer is entitled to under IC 6-3-1-3.5(a)(3) and IC 6-3-1-3.5(a)(4). Such employer making payments of any wages:

(1) shall be liable to the state of Indiana for the payment of the tax required to be deducted and withheld under this section and shall not be liable to any individual for the amount deducted from ~~his~~ **the individual's** wages and paid over in compliance or intended compliance with this section; and

(2) shall make return of and payment to the department monthly of the amount of tax which under ~~IC 6-3~~ **this article** and IC 6-3.5 ~~he~~ **the employer** is required to withhold.

(b) An employer shall pay taxes withheld under subsection (a) during a particular month to the department no later than thirty (30) days after the end of that month. However, in place of monthly reporting periods, the department may permit an employer to report and pay the tax for:

(1) a calendar year reporting period, if the average monthly

amount of all tax required to be withheld by the employer in the previous calendar year does not exceed ten dollars ($10);

(2) a six (6) month reporting period, if the average monthly amount of all tax required to be withheld by the employer in the previous calendar year does not exceed twenty-five dollars ($25); or

(3) a three (3) month reporting period, if the average monthly amount of all tax required to be withheld by the employer in the previous calendar year does not exceed seventy-five dollars ($75).

An employer using a reporting period (other than a monthly reporting period) must file the employer's return and pay the tax for a reporting period no later than the last day of the month immediately following the close of the reporting period. If an employer files a combined sales and withholding tax report, the reporting period for the combined report is the shortest period required under this section, section 8.1 of this chapter, or IC 6-2.5-6-1.

(c) For purposes of determining whether an employee is subject to taxation under IC 6-3.5, an employer is entitled to rely on the statement of ~~his~~ **an** employee as to ~~his~~ **the employee's** county of residence as represented by the statement of address in forms claiming exemptions for purposes of withholding, regardless of when the employee supplied the forms. Every employee shall notify ~~his~~ **the employee's** employer within five (5) days after any change in ~~his~~ **the employee's** county of residence.

(d) A county that makes payments of wages subject to tax under ~~IC 6-3:~~ **this article:**

(1) to a precinct election officer (as defined in IC 3-5-2-40.1); and

(2) for the performance of the duties of the precinct election officer imposed by IC 3 that are performed on election day;

is not required, at the time of payment of the wages, to deduct and retain from the wages the amount prescribed in withholding instructions issued by the department.

(e) Every employer shall, at the time of each payment made by ~~him~~ **the employer** to the department, deliver to the department a return upon the form prescribed by the department showing:

(1) the total amount of wages paid to ~~his~~ **the employer's** employees;

(2) the amount deducted therefrom in accordance with the provisions of the Internal Revenue Code;

(3) the amount of adjusted gross income tax deducted therefrom in accordance with the provisions of this section;

(4) the amount of income tax, if any, imposed under IC 6-3.5 and

deducted therefrom in accordance with this section; and

(5) any other information the department may require.

Every employer making a declaration of withholding as provided in this section shall furnish ~~his~~ **the employer's** employees annually, but not later than thirty (30) days after the end of the calendar year, a record of the total amount of adjusted gross income tax and the amount of each income tax, if any, imposed under IC 6-3.5, withheld from the employees, on the forms prescribed by the department.

(f) All money deducted and withheld by an employer shall immediately upon such deduction be the money of the state, and every employer who deducts and retains any amount of money under the provisions of ~~IC 6-3~~ **this article** shall hold the same in trust for the state of Indiana and for payment thereof to the department in the manner and at the times provided in ~~IC 6-3.~~ **this article.** Any employer may be required to post a surety bond in the sum the department determines to be appropriate to protect the state with respect to money withheld pursuant to this section.

(g) The provisions of IC 6-8.1 relating to additions to tax in case of delinquency and penalties shall apply to employers subject to the provisions of this section, and for these purposes any amount deducted or required to be deducted and remitted to the department under this section shall be considered to be the tax of the employer, and with respect to such amount the employer shall be considered the taxpayer. In the case of a corporate or partnership employer, every officer, employee, or member of such employer, who, as such officer, employee, or member is under a duty to deduct and remit such taxes shall be personally liable for such taxes, penalties, and interest.

(h) Amounts deducted from wages of an employee during any calendar year in accordance with the provisions of this section shall be considered to be in part payment of the tax imposed on such employee for ~~his~~ **the employee's** taxable year which begins in such calendar year, and a return made by the employer under subsection (b) shall be accepted by the department as evidence in favor of the employee of the amount so deducted from ~~his~~ **the employee's** wages. Where the total amount so deducted exceeds the amount of tax on the employee as computed under ~~IC 6-3~~ **this article** and IC 6-3.5, the department shall, after examining the return or returns filed by the employee in accordance with ~~IC 6-3~~ **this article** and IC 6-3.5, refund the amount of the excess deduction. However, under rules promulgated by the department, the excess or any part thereof may be applied to any taxes or other claim due from the taxpayer to the state of Indiana or any subdivision thereof. No refund shall be made to an employee who fails

to file ~~his~~ **the employee's** return or returns as required under ~~IC 6-3~~ **this article** and IC 6-3.5 within two (2) years from the due date of the return or returns. In the event that the excess tax deducted is less than one dollar ($1), no refund shall be made.

(i) This section shall in no way relieve any taxpayer from ~~his~~ **the taxpayer's** obligation of filing a return or returns at the time required under ~~IC 6-3~~ **this article** and IC 6-3.5, and, should the amount withheld under the provisions of this section be insufficient to pay the total tax of such taxpayer, such unpaid tax shall be paid at the time prescribed by section 5 of this chapter.

(j) Notwithstanding subsection (b), an employer of a domestic service employee that enters into an agreement with the domestic service employee to withhold federal income tax under Section 3402 of the Internal Revenue Code may withhold Indiana income tax on the domestic service employee's wages on the employer's Indiana individual income tax return in the same manner as allowed by Section 3510 of the Internal Revenue Code.

(k) To the extent allowed by Section 1137 of the Social Security Act, an employer of a domestic service employee may report and remit state unemployment insurance contributions on the employee's wages on the employer's Indiana individual income tax return in the same manner as allowed by Section 3510 of the Internal Revenue Code.

(l) **The department shall adopt rules under IC 4-22-2 to exempt an employer from the duty to deduct and remit from the wages of an employee adjusted gross income tax withholding that would otherwise be required under this section whenever:**

(1) an employee has at least one (1) qualifying child, as determined under Section 32 of the Internal Revenue Code;

(2) the employee is eligible for an earned income tax credit under IC 6-3.1-21;

(3) the employee elects to receive advance payments of the earned income tax credit under IC 6-3.1-21 from money that would otherwise be withheld from the employee's wages for adjusted gross income taxes; and

(4) the amount that is not deducted and remitted is distributed to the employee, in accordance with the procedures prescribed by the department, as an advance payment of the earned income tax credit for which the employee is eligible under IC 6-3.1-21.

The rules must establish the procedures and reports required to carry out this subsection.

(m) A person who knowingly fails to remit trust fund money as set

forth in this section commits a Class D felony.

SECTION 82. IC 6-3-4-8.2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 8.2. **(a)** Each person in Indiana who is required under the Internal Revenue Code to withhold federal tax from winnings shall deduct and retain adjusted gross income tax at the time and in the amount described in withholding instructions issued by the department.

(b) In addition to amounts withheld under subsection (a), every person engaged in a gambling operation (as defined in IC 4-33-2-10) and making a payment in the course of the gambling operation (as defined in IC 4-33-2-10) of:

(1) winnings (not reduced by the wager) valued at one thousand two hundred dollars ($1,200) or more from slot machine play; or

(2) winnings (reduced by the wager) valued at one thousand five hundred dollars ($1,500) or more from a keno game;

shall deduct and retain adjusted gross income tax at the time and in the amount described in withholding instructions issued by the department. The department's instructions must provide that amounts withheld shall be paid to the department before the close of the business day following the day the winnings are paid, actually or constructively. Slot machine and keno winnings from a gambling operation (as defined in IC 4-33-2-10) that are reportable for federal income tax purposes shall be treated as subject to withholding under this section, even if federal tax withholding is not required.

(c) The adjusted gross income tax due on prize money or prizes:

(1) received from a winning lottery ticket purchased under IC 4-30; and

(2) exceeding one thousand two hundred dollars ($1,200) in value;

shall be deducted and retained at the time and in the amount described in withholding instructions issued by the department, even if federal withholding is not required.

SECTION 83. IC 6-3-7-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. (a) All revenues derived from collection of the adjusted gross income tax imposed on corporations ~~(except the tax revenues allocated under section 2.5 of this chapter to the state general fund)~~ shall be deposited ~~as follows:~~

~~(1) Ten million dollars ($10,000,000) shall for each state fiscal year be deposited~~ in the state general fund.

~~(2) The balance of such revenues shall be deposited into the~~

~~property tax replacement fund.~~

(b) All revenues derived from collection of the adjusted gross income tax imposed on persons shall be deposited **as follows:**

(1) Eighty-six percent (86%) in the state general fund.

(2) Fourteen percent (14%) in the property tax replacement fund.

SECTION 84. IC 6-3.1-2-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 1. As used in this chapter, the following terms have the following meanings:

(1) "Eligible teacher" means a teacher:

(A) certified in a shortage area by the professional standards board established by IC 20-1-1.4; and

(B) employed under contract during the regular school term by a school corporation in a shortage area.

(2) "Qualified position" means a position that:

(A) is relevant to the teacher's academic training in a shortage area; and

(B) has been approved by the Indiana state board of education under section 6 of this chapter.

(3) "Regular school term" means the period, other than the school summer recess, during which a teacher is required to perform duties assigned to him under a teaching contract.

(4) "School corporation" means any corporation authorized by law to establish public schools and levy taxes for their maintenance.

(5) "Shortage area" means the subject areas of mathematics and science and any other subject area designated as a shortage area by the Indiana state board of education.

(6) "State income tax liability" means a taxpayer's total income tax liability incurred under ~~IC 6-2.1 and~~ IC 6-3 **and IC 6-5.5,** as computed after application of credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

SECTION 85. IC 6-3.1-2-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 5. (a) A credit to which a taxpayer is entitled under this chapter shall be applied ~~in the following manner:~~

~~(1) First, against the taxpayer's gross income tax liability for the taxable year.~~

~~(2) Second,~~ against the taxpayer's adjusted gross income tax liability for the taxable year.

~~(3) Third, against the taxpayer's supplemental net income tax liability for the taxable year.~~

(b) A taxpayer that is subject to the financial institutions tax may

apply the credit provided by this chapter against the taxpayer's financial institutions tax liability for the taxable year.

SECTION 86. IC 6-3.1-4-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 1. As used in this chapter:

"Base amount" means base amount (as defined in Section 41(c) of the Internal Revenue Code **as in effect on January 1, 2001).**

"Base period Indiana qualified research expense" means base period research expense that is incurred for research conducted in Indiana.

"Base period research expense" means base period research expense (as defined in Section 41(c) of the Internal Revenue Code before January 1, 1990).

"Indiana qualified research expense" means qualified research expense that is incurred for research conducted in Indiana.

"Qualified research expense" means qualified research expense (as defined in Section 41(b) of the Internal Revenue Code **as in effect on January 1, 2001).**

"Pass through entity" means:

(1) a corporation that is exempt from the adjusted gross income tax under IC 6-3-2-2.8(2);

(2) a partnership;

(3) a limited liability company; or

(4) a limited liability partnership.

"Research expense tax credit" means a credit provided under this chapter against any tax otherwise due and payable under ~~IC 6-2.1 or~~ IC 6-3.

"Taxpayer" means an individual, a corporation, a limited liability company, a limited liability partnership, a trust, or a partnership **that has any tax liability under IC 6-3 (adjusted gross income tax).**

SECTION 87. IC 6-3.1-4-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2. ~~(a)~~ A taxpayer who incurs Indiana qualified research expense in a particular taxable year is entitled to a research expense tax credit for the taxable year

~~(b) A taxpayer who does not have income apportioned to this state for a taxable year under IC 6-3-2-2 is entitled to a research expense tax credit for the taxable year~~ in the amount of the product of:

(1) ~~five~~ **ten** percent ~~(5%),~~ **(10%);** multiplied by

(2) the remainder of the taxpayer's Indiana qualified research expenses for the taxable year, minus:

(A) the taxpayer's base period Indiana qualified research expenses, for taxable years beginning before January 1, 1990; or

(B) the taxpayer's base amount, for taxable years beginning after December 31, 1989.

~~(c) A taxpayer who has income apportioned to this state for a taxable year under IC 6-3-2-2 is entitled to a research expense tax credit for the taxable year in the amount of the lesser of:~~

~~(1) the amount determined under subsection (b); or~~

~~(2) five percent (5%) multiplied by the remainder of the taxpayer's total qualified research expenses for the taxable year, minus:~~

~~(A) the taxpayer's base period research expenses, for taxable years beginning before January 1, 1990; or~~

~~(B) the taxpayer's base amount, for taxable years beginning after December 31, 1989;~~

~~further multiplied by the percentage determined under IC 6-3-2-2 for the apportionment of the taxpayer's income for the taxable year to this state.~~

SECTION 88. IC 6-3.1-4-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. (a) The amount of the credit provided by this chapter that a taxpayer uses during a particular taxable year may not exceed the sum of the taxes imposed by ~~IC 6-2.1 and~~ IC 6-3 for the taxable year after the application of all credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter. If the credit provided by this chapter exceeds that sum for the taxable year for which the credit is first claimed, then the excess may be carried over to succeeding taxable years and used as a credit against the tax otherwise due and payable by the taxpayer under ~~IC 6-2.1 or~~ IC 6-3 during those taxable years. Each time that the credit is carried over to a succeeding taxable year, it is to be reduced by the amount which was used as a credit during the immediately preceding taxable year. The credit provided by this chapter may be carried forward and applied to succeeding taxable years for fifteen (15) taxable years following the unused credit year.

(b) A credit earned by a taxpayer in a particular taxable year shall be applied against the taxpayer's tax liability for that taxable year before any credit carryover is applied against that liability under subsection (a).

(c) A taxpayer is not entitled to any carryback or refund of any unused credit.

SECTION 89. IC 6-3.1-4-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4. The provisions of Section 41 of the Internal Revenue Code **as in effect on January 1, 2001,** and the regulations promulgated in respect to those provisions **and in effect on January 1, 2001,** are applicable to the interpretation

and administration by the department of the credit provided by this chapter, including the allocation and pass through of the credit to various taxpayers and the transitional rules for determination of the base period.

SECTION 90. IC 6-3.1-4-6, AS AMENDED BY P.L.4-2000, SECTION 13, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 6. Notwithstanding the other provisions of this chapter, a taxpayer is not entitled to a credit for Indiana qualified research expense incurred after December 31, ~~2002.~~ **2004.** Notwithstanding Section 41 of the Internal Revenue Code, the termination date in Section 41(h) of the Internal Revenue Code does not apply to a taxpayer who is eligible for the credit under this chapter for the taxable year in which the Indiana qualified research expense is incurred.

SECTION 91. IC 6-3.1-5-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2. As used in this chapter:

"New partnership interest" means a general or a limited partnership interest in a limited partnership if the interest is acquired by the taxpayer from the limited partnership.

"New stock" means a share of stock of a corporation if the stock, when purchased by the taxpayer, is authorized but unissued.

"Qualified entity" means the state corporation or other corporation or limited partnership in which the state corporation purchases, before January 1, 1984, new stock or a new partnership interest under section 7(d) of this chapter.

"Qualified investment" means new stock or a new partnership interest in a qualified entity, if the new stock or the new partnership interest is purchased by the taxpayer solely for cash.

"State corporation" means the corporation organized under sections 7 and 8 of this chapter.

"State tax liability" means a taxpayer's total tax liability that is incurred under:

~~(1) IC 6-2.1 (the gross income tax);~~

~~(2)~~ **(1)** IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);

~~(3) IC 6-3-8 (the supplemental net income tax);~~

~~(4) IC 6-5-10 (the bank tax);~~

~~(5) IC 6-5-11 (the savings and loan association tax);~~

~~(6)~~ **(2)** IC 27-1-18-2 (the insurance premiums tax); and

~~(7)~~ **(3)** IC 6-5.5 (the financial institutions tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

"Taxpayer" means any person, corporation, partnership, or other entity that has any state tax liability.

SECTION 92. IC 6-3.1-5-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 9. The state corporation is exempt from all state tax levies, including but not limited to the ~~gross income tax (IC 6-2.1),~~ state gross retail tax (IC 6-2.5), use tax (IC 6-2.5-3), **and** adjusted gross income tax (IC 6-3-1 through IC 6-3-7). ~~and the supplemental net income tax (IC 6-3-8).~~ However, the state corporation is not exempt from employment taxes or taxes imposed by a county or by a municipal corporation.

SECTION 93. IC 6-3.1-5-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 10. (a) Except as provided in subsection (b), income that is received by a taxpayer **that is a corporation (as defined in IC 6-3-1-10)** by reason of ownership of a qualified investment is exempt from ~~gross income tax (IC 6-2.1)~~ adjusted gross income tax (IC 6-3-1 through IC 6-3-7). ~~and supplemental net income tax (IC 6-3-8).~~

(b) The exemption provided under subsection (a) shall not apply to any income realized by reason of the sale or other disposition of the qualified investment.

SECTION 94. IC 6-3.1-5-11 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 11. A taxpayer is exempt from a tax to the extent that the tax is based on or measured by a qualified investment, including but not limited to a tax which might otherwise be imposed with respect to the qualified investment. ~~under the bank tax (IC 6-5-10) or the savings and loan association tax (IC 6-5-11).~~

SECTION 95. IC 6-3.1-5-13 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 13. (a) A credit to which a taxpayer is entitled under this chapter shall be applied against taxes owed by the taxpayer in the following order:

(1) First, against the taxpayer's ~~gross income tax liability (IC 6-2.1) for the taxable year.~~

~~(2) Second,~~ ~~against the taxpayer's~~ adjusted gross income tax liability (IC 6-3-1 through IC 6-3-7) for the taxable year.

~~(3) Third, against the taxpayer's supplemental net income tax liability (IC 6-3-8) for the taxable year.~~

~~(4) Fourth, against the taxpayer's bank tax liability (IC 6-5-10) or savings and loan association tax liability (IC 6-5-11) for the taxable year.~~

~~(5) Fifth,~~ **(2) Second,** against the taxpayer's insurance premiums tax liability (IC 27-1-18-2) for the taxable year.

(b) If the tax paid by the taxpayer under a tax provision listed in subsection (a) is a credit against the liability or a deduction in determining the tax base under another Indiana tax provision, the credit or deduction shall be computed without regard to the credit to which a taxpayer is entitled under this chapter.

(c) A taxpayer that is subject to the financial institutions tax may apply the credit provided by this chapter against the taxpayer's financial institutions tax liability for the taxable year.

SECTION 96. IC 6-3.1-6-1, AS AMENDED BY P.L.129-2001, SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 1. For the purposes of this chapter:

"Agreement" means any agreement entered into with the commissioner of the department of correction under IC 11-10-7-2 that has been approved by a majority of the members of the state board of correction.

"Pass through entity" means a:

(1) corporation that is exempt from the adjusted gross income tax under IC 6-3-2-2.8(2);

(2) partnership;

(3) trust;

(4) limited liability company; or

(5) limited liability partnership.

"Qualified property" means any machinery, tools, equipment, building, structure, or other tangible property considered qualified property under Section 38 of the Internal Revenue Code that is used as an integral part of the operation contemplated by an agreement and that is installed, used, or operated exclusively on property managed by the department of correction.

"State income tax liability" means a taxpayer's total income tax liability incurred under ~~IC 6-2.1 and~~ IC 6-3, as computed after application of credits that, under IC 6-3.1-1-2, are to be applied before the credit provided by this chapter.

"Taxpayer" means any person, corporation, limited liability company, partnership, or other entity that has state tax liability. The term includes a pass through entity.

"Wages paid" includes all earnings surrendered to the department of correction under IC 11-10-7-5.

SECTION 97. IC 6-3.1-7-1, AS AMENDED BY P.L.120-1999, SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 1. As used in this chapter:

"Enterprise zone" means an enterprise zone created under IC 4-4-6.1.

"Pass through entity" means a:

(1) corporation that is exempt from the adjusted gross income tax under IC 6-3-2-2.8(2);

(2) partnership;

(3) trust;

(4) limited liability company; or

(5) limited liability partnership.

"Qualified loan" means a loan made to an entity that uses the loan proceeds for:

(1) a purpose that is directly related to a business located in an enterprise zone;

(2) an improvement that increases the assessed value of real property located in an enterprise zone; or

(3) rehabilitation, repair, or improvement of a residence.

"State tax liability" means a taxpayer's total tax liability that is incurred under:

~~(1) IC 6-2.1 (the gross income tax);~~

~~(2)~~ **(1)** IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);

~~(3) IC 6-3-8 (the supplemental net income tax);~~

~~(4) IC 6-5-10 (the bank tax);~~

~~(5) IC 6-5-11 (the savings and loan association tax);~~

~~(6)~~ **(2)** IC 27-1-18-2 (the insurance premiums tax); and

~~(7)~~ **(3)** IC 6-5.5 (the financial institutions tax);

as computed after the application of the credits that, under IC 6-3.1-1-2, are to be applied before the credit provided by this chapter.

"Taxpayer" means any person, corporation, limited liability company, partnership, or other entity that has any state tax liability. The term includes a pass through entity.

SECTION 98. IC 6-3.1-7-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4. (a) A credit to which a taxpayer is entitled under this chapter shall be applied against taxes owed by the taxpayer in the following order:

(1) First, ~~against the taxpayer's gross income tax liability (IC 6-2.1) for the taxable year.~~

~~(2) Second,~~ against the taxpayer's adjusted gross income tax liability (IC 6-3-1 through IC 6-3-7) for the taxable year.

~~(3) Third, against the taxpayer's supplemental net income tax liability (IC 6-3-8) for the taxable year.~~

~~(4) Fourth, against the taxpayer's bank tax liability (IC 6-5-10) or savings and loan association tax liability (IC 6-5-11) for the taxable year.~~

~~(5) Fifth,~~ **(2) Second,** against the taxpayer's insurance premiums tax liability (IC 27-1-18-2) for the taxable year.

(3) Third, against the taxpayer's financial institutions tax liability (IC 6-5.5) for the taxable year.

(b) If the tax paid by the taxpayer under a tax provision listed in subsection (a) is a credit against the liability or a deduction in determining the tax base under another Indiana tax provision, the credit or deduction shall be computed without regard to the credit to which a taxpayer is entitled under this chapter.

SECTION 99. IC 6-3.1-9-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 1. As used in this chapter:

"Business firm" means any business entity authorized to do business in the state of Indiana that ~~is:~~

~~(1) subject to the gross, adjusted gross, supplemental net income, or financial institutions tax;~~

~~(2) an employer exempt from adjusted gross income tax (IC 6-3-1 through IC 6-3-7) under IC 6-3-2-2.8(2); or~~

~~(3) a partnership.~~

has state tax liability.

"Community services" means any type of counseling and advice, emergency assistance, medical care, recreational facilities, housing facilities, or economic development assistance to individuals, groups, or neighborhood organizations in an economically disadvantaged area.

"Crime prevention" means any activity which aids in the reduction of crime in an economically disadvantaged area.

"Economically disadvantaged area" means an enterprise zone, or any area in Indiana that is certified as an economically disadvantaged area by the department of commerce after consultation with the community services agency. The certification shall be made on the basis of current indices of social and economic conditions, which shall include but not be limited to the median per capita income of the area in relation to the median per capita income of the state or standard metropolitan statistical area in which the area is located.

"Education" means any type of scholastic instruction or scholarship assistance to an individual who resides in an economically disadvantaged area that enables him to prepare himself for better life opportunities.

"Enterprise zone" means an enterprise zone created under IC 4-4-6.1.

"Job training" means any type of instruction to an individual who resides in an economically disadvantaged area that enables him to

acquire vocational skills so that he can become employable or be able to seek a higher grade of employment.

"Neighborhood assistance" means either:

(1) furnishing financial assistance, labor, material, and technical advice to aid in the physical or economic improvement of any part or all of an economically disadvantaged area; or

(2) furnishing technical advice to promote higher employment in any neighborhood in Indiana.

"Neighborhood organization" means any organization, including but not limited to a nonprofit development corporation:

(1) performing community services in an economically disadvantaged area; and

(2) holding a ruling:

(A) from the Internal Revenue Service of the United States Department of the Treasury that the organization is exempt from income taxation under the provisions of the Internal Revenue Code; and

(B) from the department of state revenue that the organization is exempt from income taxation under ~~IC 6-2.1-3-20.~~ **IC 6-2.5-5-21.**

"Person" means any individual subject to Indiana gross or adjusted gross income tax.

"State fiscal year" means a twelve (12) month period beginning on July 1 and ending on June 30.

"State tax liability" means the taxpayer's total tax liability that is incurred under:

(1) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax); and

(2) IC 6-5.5 (the financial institutions tax);

as computed after the application of the credits that, under IC 6-3.1-1-2, are to be applied before the credit provided by this chapter.

"Tax credit" means a deduction from any tax otherwise due and payable under ~~IC 6-2.1,~~ IC 6-3 or IC 6-5.5.

SECTION 100. IC 6-3.1-9-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. (a) Subject to the limitations provided in subsection (b) and sections 4, 5, and 6 of this chapter, the department shall grant a tax credit against any ~~gross, adjusted gross or supplemental net income~~ **state** tax **liability** due equal to fifty percent (50%) of the amount invested by a business firm or person in a program the proposal for which was approved under section 2 of this chapter.

(b) The credit provided by this chapter shall only be applied against any ~~income~~ **state** tax liability owed by the taxpayer after the application of any credits, which under IC 6-3.1-1-2 must be applied before the credit provided by this chapter. In addition, the tax credit which a taxpayer receives under this chapter may not exceed twenty-five thousand dollars ($25,000) for any taxable year of the taxpayer.

(c) If a business firm that is:

(1) exempt from adjusted gross income tax (IC 6-3-1 through IC 6-3-7) under IC 6-3-2-2.8(2); or

(2) a partnership;

does not have any tax liability against which the credit provided by this section may be applied, a shareholder or a partner of the business firm is entitled to a credit against the shareholder's or the partner's liability under the adjusted gross income tax.

(d) The amount of the credit provided by this section is equal to:

(1) the tax credit determined for the business firm for the taxable year under subsection (a); multiplied by

(2) the percentage of the business firm's distributive income to which the shareholder or the partner is entitled.

The credit provided by this section is in addition to any credit to which a shareholder or partner is otherwise entitled under this chapter. However, a business firm and a shareholder or partner of that business firm may not claim a credit under this chapter for the same investment.

SECTION 101. IC 6-3.1-11-12 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 12. As used in this chapter, "state tax liability" means the taxpayer's total tax liability that is incurred under:

~~(1) IC 6-2.1 (the gross income tax);~~

~~(2)~~ **(1)** IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);

~~(3) IC 6-3-8 (the supplemental net income tax);~~

~~(4) IC 6-5-10 (the bank tax);~~

~~(5) IC 6-5-11 (the savings and loan association tax);~~

~~(6)~~ **(2)** IC 27-1-18-2 (the insurance premiums tax); and

~~(7)~~ **(3)** IC 6-5.5 (the financial institutions tax);

as computed after the application of the credits that, under IC 6-3.1-1-2, are to be applied before the credit provided by this chapter.

SECTION 102. IC 6-3.1-11-22 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 22. (a) A credit to which a taxpayer is entitled under this chapter shall be applied against taxes owed by the taxpayer in the following order:

~~(1) Against the taxpayer's gross income tax liability (IC 6-2.1) for~~

~~the taxable year.~~

~~(2)~~ **(1)** Against the taxpayer's adjusted gross income tax liability (IC 6-3-1 through IC 6-3-7) for the taxable year.

~~(3) Against the taxpayer's supplemental net income tax~~ liability ~~(IC 6-3-8) for the taxable year.~~

~~(4) Against the taxpayer's bank tax liability (IC 6-5-10) or savings and loan association tax liability (IC 6-5-11) for the taxable year.~~

~~(5)~~ **(2)** Against the taxpayer's insurance premiums tax liability (IC 27-1-18-2) for the taxable year.

~~(6)~~ **(3)** Against the taxpayer's financial institutions tax (IC 6-5.5) for the taxable year.

(b) Whenever the tax paid by the taxpayer under any of the tax provisions listed in subsection (a) is a credit against the liability or a deduction in determining the tax base under another Indiana tax provision, the credit or deduction shall be computed without regard to the credit to which a taxpayer is entitled under this chapter.

SECTION 103. IC 6-3.1-11.5-14 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 14. As used in this chapter, "state tax liability" means the taxpayer's total tax liability that is incurred under:

~~(1) IC 6-2.1 (the gross income tax);~~

~~(2)~~ **(1)** IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);

~~(3) IC 6-3-8 (the supplemental net income tax);~~

~~(4) IC 6-5-10 (the bank tax);~~

~~(5) IC 6-5-11 (the savings and loan association tax);~~

~~(6)~~ **(2)** IC 27-1-18-2 (the insurance premiums tax); and

~~(7)~~ **(3)** IC 6-5.5 (the financial institutions tax);

as computed after the application of the credits that, under IC 6-3.1-1-2, are to be applied before the credit provided by this chapter.

SECTION 104. IC 6-3.1-11.5-24 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 24. (a) A credit to which a taxpayer is entitled under this chapter shall be applied against taxes owed by the taxpayer in the following order:

~~(1) Against the taxpayer's gross income tax liability (IC 6-2.1) for the taxable year.~~

~~(2)~~ **(1)** Against the taxpayer's adjusted gross income tax liability (IC 6-3-1 through IC 6-3-7) for the taxable year.

~~(3) Against the taxpayer's supplemental net income tax liability (IC 6-3-8) for the taxable year.~~

~~(4) Against the taxpayer's bank tax liability (IC 6-5-10) or savings and loan association tax liability (IC 6-5-11) for the taxable year.~~

~~(5)~~ **(2)** Against the taxpayer's insurance premiums tax liability (IC 27-1-18-2) for the taxable year.

~~(6)~~ **(3)** Against the taxpayer's financial institutions tax (IC 6-5.5) for the taxable year.

(b) Whenever the tax paid by the taxpayer under any of the tax provisions listed in subsection (a) is a credit against the liability or a deduction in determining the tax base under another Indiana tax provision, the credit or deduction shall be computed without regard to the credit to which a taxpayer is entitled under this chapter.

SECTION 105. IC 6-3.1-13-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 9. As used in this chapter, "state tax liability" means a taxpayer's total tax liability that is incurred under:

~~(1) IC 6-2.1 (the gross income tax);~~

~~(2)~~ **(1)** IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);

~~(3) IC 6-3-8 (the supplemental net income tax);~~

~~(4) IC 6-5-10 (the bank tax);~~

~~(5) IC 6-5-11 (the savings and loan association tax);~~

~~(6)~~ **(2)** IC 27-1-18-2 (the insurance premiums tax); and

~~(7)~~ **(3)** IC 6-5.5 (the financial institutions tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

SECTION 106. IC 6-3.1-13.5-4, AS ADDED BY P.L.291-2001, SECTION 177, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4. As used in this chapter, "state tax liability" means a taxpayer's total tax liability that is incurred under:

~~(1) IC 6-2.1 (the gross income tax);~~

~~(2)~~ **(1)** IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);

~~(3) IC 6-3-8 (the supplemental net income tax);~~

~~(4) IC 6-5-10 (the bank tax);~~

~~(5) IC 6-5-11 (the savings and loan association tax);~~

~~(6)~~ **(2)** IC 27-1-18-2 (the insurance premiums tax); and

~~(7)~~ **(3)** IC 6-5.5 (the financial institutions tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

SECTION 107. IC 6-3.1-15-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 5. As used in this chapter, "state tax liability" means a taxpayer's total tax liability incurred under:

~~(1) IC 6-2.1 (the gross income tax);~~

~~(2)~~ **(1)** IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);

~~(3) IC 6-3-8 (the supplemental net income tax);~~

~~(4) IC 6-5-10 (the bank tax);~~

~~(5) IC 6-5-11 (the savings and loan association tax);~~

~~(6)~~ **(2)** IC 6-5.5 (the financial institutions tax); and

~~(7)~~ **(3)** IC 27-1-18-2 (the insurance premiums tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

SECTION 108. IC 6-3.1-16-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 6. As used in this chapter, "state tax liability" means a taxpayer's total tax liability incurred under

~~(1) IC 6-2.1 (the gross income tax);~~

~~(2)~~ IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax), ~~and~~

~~(3) IC 6-3-8 (the supplemental net income tax);~~

as computed after the application of all credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

SECTION 109. IC 6-3.1-16-13 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 13. (a) If the credit provided by this chapter exceeds a taxpayer's state tax liability for the taxable year for which the credit is first claimed, the excess may be carried over to succeeding taxable years and used as a credit against the tax otherwise due and payable by the taxpayer under ~~IC 6-2.1 or~~ IC 6-3 during those taxable years. Each time that the credit is carried over to a succeeding taxable year, the credit is to be reduced by the amount that was used as a credit during the immediately preceding taxable year. The credit provided by this chapter may be carried forward and applied to succeeding taxable years for fifteen (15) taxable years following the unused credit year.

(b) A credit earned by a taxpayer in a particular taxable year shall be applied against the taxpayer's tax liability for that taxable year before any credit carryover is applied against that liability under subsection (a).

(c) A taxpayer is not entitled to any carryback or refund of any unused credit.

SECTION 110. IC 6-3.1-17-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. As used in this chapter, "state tax liability" means a taxpayer's total tax liability that is incurred under:

~~(1) IC 6-2.1 (the gross income tax);~~

~~(2)~~ **(1)** IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);

~~(3) IC 6-3-8 (the supplemental net income tax);~~

~~(4) IC 6-5-10 (the bank tax);~~

~~(5) IC 6-5-11 (the savings and loan association tax);~~

~~(6)~~ **(2)** IC 27-1-18-2 (the insurance premiums tax);

~~(7)~~ **(3)** IC 6-5.5 (the financial institutions tax); and

~~(8)~~ **(4)** IC 6-2.5 **(the** state gross retail and use tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

SECTION 111. IC 6-3.1-18-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 5. As used in this chapter, "state tax liability" means a taxpayer's total tax liability incurred under:

~~(1) IC 6-2.1 (the gross income tax);~~

~~(2)~~ **(1)** IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax); **and**

~~(3) IC 6-3-8 (the supplemental corporate net income tax); and~~

~~(4)~~ **(2)** IC 6-5.5 (the financial institutions tax);

as computed after the application of all credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

SECTION 112. IC 6-3.1-18-6, AS AMENDED BY P.L.4-1999, SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 6. (a) Subject to the limitations provided in subsection (b) and sections 7, 8, 9, 10, and 11 of this chapter, the department shall grant a tax credit against any ~~gross, adjusted gross or supplemental net income~~ **state** tax **liability** due equal to fifty percent (50%) of the amount contributed by a person or an individual to a fund if the contribution is not less than one hundred dollars ($100) and not more than fifty thousand dollars ($50,000).

(b) The credit provided by this chapter shall only be applied against any ~~income~~ **state** tax liability owed by the taxpayer after the application of any credits that under IC 6-3.1-1-2 must be applied before the credit provided by this chapter.

SECTION 113. IC 6-3.1-19-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 1. As used in this chapter, "state and local tax liability" means a taxpayer's total tax liability incurred under:

~~(1) IC 6-2.1 (the gross income tax);~~

~~(2)~~ **(1)** IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);

~~(3) IC 6-3-8 (the supplemental net income tax);~~

~~(4)~~ **(2)** IC 6-3.5-1.1 (county adjusted gross income tax);

~~(5)~~ **(3)** IC 6-3.5-6 (county option income tax);

~~(6)~~ **(4)** IC 6-3.5-7 (county economic development income tax);

~~(7) IC 6-5-10 (the bank tax);~~

~~(8) IC 6-5-11 (the savings and loan association tax);~~

~~(9)~~ **(5)** IC 6-5.5 (the financial institutions tax); and

~~(10)~~ **(6)** IC 27-1-18-2 (the insurance premiums tax);

as computed after the application of all credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

SECTION 114. IC 6-3.1-21-6, AS ADDED BY P.L.273-1999, SECTION 227, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 6. **(a) An individual who is eligible for an earned income tax credit under Section 32 of** the **Internal Revenue Code is eligible for a** credit ~~authorized~~ under ~~section 5 of~~ this chapter ~~is~~ equal to ~~three and four-tenths~~ **six** percent ~~(3.4%)~~ **(6%)** of ~~(1) twelve thousand dollars ($12,000); minus (2)~~ the amount of the ~~individual's Indiana total income.~~ **federal earned income tax credit that the individual:**

(1) is eligible to receive in the taxable year; and

(2) claimed for the taxable year;

under Section 32 of the Internal Revenue Code.

(b) If the credit amount exceeds the taxpayer's adjusted gross income tax liability for the taxable year, the excess, **less any advance payments of the credit made by the taxpayer's employer under IC 6-3-4-8 that reduce the excess,** shall be refunded to the taxpayer.

SECTION 115. IC 6-3.1-21-8, AS ADDED BY P.L.273-1999, SECTION 227, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 8. To obtain a credit under this chapter **or the advance payment of a credit under this chapter provided under IC 6-3-4-8,** a taxpayer must claim the **advance payment or** credit ~~on the taxpayer's annual state tax return or returns~~ in the manner prescribed by the department of state revenue. The taxpayer shall submit to the department of state revenue all information that the department of state revenue determines is necessary for the calculation of the credit provided by this chapter.

SECTION 116. IC 6-3.1-21-10, AS AMENDED BY P.L.291-2001, SECTION 152, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 10. This chapter expires December 31, ~~2003.~~ **2005.**

SECTION 117. IC 6-3.1-22.2-3, AS ADDED BY P.L.291-2001, SECTION 149, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. As used in this chapter, "state tax liability" means a taxpayer's total tax liability that is incurred under:

~~(1) IC 6-2.1 (the gross income tax);~~

~~(2)~~ **(1)** IC 6-2.5 **(the** state gross retail and use tax);

~~(3)~~ **(2)** IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);

~~(4) IC 6-3-8 (the supplemental corporate net income tax);~~
~~(5) IC 6-5-10 (the bank tax);~~
~~(6) IC 6-5-11 (the savings and loan association tax);~~
~~(7)~~ **(3)** IC 6-5.5 (the financial institutions tax); and
~~(8)~~ **(4)** IC 27-1-18-2 (the insurance premiums tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

SECTION 118. IC 6-3.1-23-4, AS ADDED BY P.L.109-2001, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4. As used in this chapter, "state tax liability" means a taxpayer's total tax liability incurred under:

~~(1) IC 6-2.1 (the gross income tax);~~
~~(2)~~ **(1)** IC 6-2.5 (the state gross retail and use tax);
~~(3)~~ **(2)** IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
~~(4) IC 6-3-8 (the supplemental net income tax);~~
~~(5) IC 6-5-10 (the bank tax);~~
~~(6) IC 6-5-11 (the savings and loan association tax);~~
~~(7)~~ **(3)** IC 6-5.5 (the financial institutions tax); and
~~(8)~~ **(4)** IC 27-1-18-2 (the insurance premiums tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

SECTION 119. IC 6-3.1-24 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]:

Chapter 24. Venture Capital Investment Tax Credit

Sec. 1. As used in this chapter, "pass through entity" means:

(1) a corporation that is exempt from the adjusted gross income tax under IC 6-3-2-2.8(2);
(2) a partnership;
(3) a limited liability company; or
(4) a limited liability partnership.

Sec. 2. As used in this chapter, "qualified Indiana business" means an independently owned and operated business that is certified as a qualified Indiana business by the department of commerce under section 7 of this chapter.

Sec. 3. As used in this chapter, "qualified investment capital" means debt or equity capital that is provided to a qualified Indiana business after December 31, 2003.

Sec. 4. As used in this chapter, "state tax liability" means a taxpayer's total tax liability that is incurred under:

(1) IC 6-2.5 (state gross retail and use tax);
(2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);

(3) IC 6-5.5 (the financial institutions tax); and

(4) IC 27-1-18-2 (the insurance premiums tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

Sec. 5. As used in this chapter, "taxpayer" means an individual or entity that has any state tax liability.

Sec. 6. A taxpayer that provides qualified investment capital to a qualified Indiana business is entitled to a credit against the person's state tax liability in a taxable year equal to the amount specified in section 10 of this chapter.

Sec. 7. (a) The department of commerce shall certify that a business is a qualified Indiana business if the department determines that the business:

(1) is a high growth company that:

(A) is entering a new product or process area;

(B) has a substantial number of employees in jobs:

(i) requiring postsecondary education or its equivalent; or

(ii) that are in occupational codes classified as high skill by the Bureau of Labor Statistics, United States Department of Labor; and

(C) has a substantial number of employees that earn at least one hundred fifty percent (150%) of Indiana per capita personal income;

(2) has its headquarters in Indiana;

(3) is primarily focused on research and development, technology transfers, or the application of new technology, or is determined by the department of commerce to have significant potential to:

(A) bring substantial capital into Indiana;

(B) create jobs;

(C) diversify the business base of Indiana; or

(D) significantly promote the purposes of this chapter in any other way;

(4) has had average annual revenues of less than ten million dollars ($10,000,000) in the two (2) years preceding the year in which the business received qualified investment capital from a taxpayer claiming a credit under this chapter;

(5) has:

(A) at least fifty percent (50%) of its employees residing in Indiana; and

(B) at least seventy-five percent (75%) of its assets located in Indiana; and

(6) is not engaged in a business involving:

(A) real estate;

(B) real estate development;

(C) insurance;

(D) professional services provided by an accountant, a lawyer, or a physician;

(E) retail sales, except when the primary purpose of the business is the development or support of electronic commerce using the Internet; or

(F) oil and gas exploration.

(b) A business shall apply to be certified as a qualified Indiana business on a form prescribed by the department.

(c) If a business is certified as a qualified Indiana business under this section, the department shall provide a copy of the certification to the investors in the qualified Indiana business for inclusion in tax filings.

(d) The department may impose an application fee of not more than two hundred dollars ($200).

Sec. 8. (a) A certification provided under section 7 of this chapter must include notice to the investors of the maximum amount of tax credits available under this chapter for the provision of qualified investment capital to the qualified Indiana business.

(b) The maximum amount of tax credits available under this chapter for the provision of qualified investment capital to a particular qualified Indiana business equals the lesser of:

(1) the total amount of qualified investment capital provided to the qualified Indiana business in the calendar year, multiplied by twenty percent (20%); or

(2) five hundred thousand dollars ($500,000).

Sec. 9. (a) The total amount of tax credits that may be allowed under this chapter in a particular calendar year may not exceed ten million dollars ($10,000,000).

(b) Notwithstanding the other provisions of this chapter, a taxpayer is not entitled to a credit for providing qualified investment capital to a qualified Indiana business after December 31, 2008.

Sec. 10. Subject to sections 8 and 13 of this chapter, the amount of the credit to which a taxpayer is entitled under section 6 this chapter equals the product of:

(1) twenty percent (20%); multiplied by

(2) the amount of the qualified investment capital provided to a qualified Indiana business by the taxpayer in the taxable year.

Sec. 11. If a pass through entity is entitled to a credit under section 6 of this chapter but does not have state tax liability against which the tax credit may be applied, a shareholder, partner, or member of the pass through entity is entitled to a tax credit equal to:

(1) the tax credit determined for the pass through entity for the taxable year; multiplied by

(2) the percentage of the pass through entity's distributive income to which the shareholder, partner, or member is entitled.

Sec. 12. If the amount of the credit determined under section 10 of this chapter for a taxpayer in a taxable year exceeds the taxpayer's state tax liability for that taxable year, the taxpayer may carry the excess over to the following taxable years. The amount of the credit carryover from a taxable year shall be reduced to the extent that the carryover is used by the taxpayer to obtain a credit under this chapter for any subsequent taxable year. A taxpayer is not entitled to a carryback.

Sec. 13. (a) To receive the credit provided by this chapter, a taxpayer must claim the credit on the taxpayer's state tax return or returns in the manner prescribed by the department. The taxpayer shall submit to the department proof that the taxpayer provided qualified investment capital to a qualified Indiana business and all information that the department determines is necessary for the calculation of the credit provided by this chapter.

(b) The department shall record the time of filing of each return claiming a credit under section 6 of this chapter and shall, except as provided in subsection (c), grant the credit to the taxpayer, if the taxpayer otherwise qualifies for a tax credit under this chapter, in the chronological order in which the return is filed in the calendar year.

(c) If the total credits approved under this section equal the maximum amount allowable in a calendar year, a return claiming the credit filed later in that calendar year may not be approved.

SECTION 120. IC 6-3.5-2-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4. The following persons are exempt from the employment tax:

(1) the United States;

(2) an agency of the United States;

(3) this state;

(4) an agency of this state;

(5) a political subdivision of this state; and

(6) a taxpayer described in ~~IC 6-2.1-3-19, IC 6-2.1-3-20, IC 6-2.1-3-21, and IC 6-2.1-3-22.~~ **IC 6-2.5-5-21(b)(1).**

However, employees of such persons are not exempt from the employment tax.

SECTION 121. IC 6-3.5-7-5, AS AMENDED BY P.L.178-2002, SECTION 68, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 5. (a) Except as provided in subsection (c), the county economic development income tax may be imposed on the adjusted gross income of county taxpayers. The entity that may impose the tax is:

(1) the county income tax council (as defined in IC 6-3.5-6-1) if the county option income tax is in effect on January 1 of the year the county economic development income tax is imposed;

(2) the county council if the county adjusted gross income tax is in effect on January 1 of the year the county economic development tax is imposed; or

(3) the county income tax council or the county council, whichever acts first, for a county not covered by subdivision (1) or (2).

To impose the county economic development income tax, a county income tax council shall use the procedures set forth in IC 6-3.5-6 concerning the imposition of the county option income tax.

(b) Except as provided in subsections (c), (g), ~~and~~ (k), **and (p),** the county economic development income tax may be imposed at a rate of:

(1) one-tenth percent (0.1%);

(2) two-tenths percent (0.2%);

(3) twenty-five hundredths percent (0.25%);

(4) three-tenths percent (0.3%);

(5) thirty-five hundredths percent (0.35%);

(6) four-tenths percent (0.4%);

(7) forty-five hundredths percent (0.45%); or

(8) five-tenths percent (0.5%);

on the adjusted gross income of county taxpayers.

(c) Except as provided in subsection (h), (i), (j), (k), (l), (m), (n), ~~or~~ (o), **or (p),** the county economic development income tax rate plus the county adjusted gross income tax rate, if any, that are in effect on January 1 of a year may not exceed one and twenty-five hundredths percent (1.25%). Except as provided in subsection (g) **or (p),** the county economic development tax rate plus the county option income

tax rate, if any, that are in effect on January 1 of a year may not exceed one percent (1%).

(d) To impose, **increase, decrease, or rescind** the county economic development income tax, the appropriate body must, after January 1 but before April 1 of a year, adopt an ordinance. The ordinance **to impose the tax** must substantially state the following:

"The _____ County _____ imposes the county economic development income tax on the county taxpayers of _____ County. The county economic development income tax is imposed at a rate of _____ percent (____%) on the county taxpayers of the county. This tax takes effect July 1 of this year.".

(e) Any ordinance adopted under this ~~section~~ **chapter** takes effect July 1 of the year the ordinance is adopted.

(f) The auditor of a county shall record all votes taken on ordinances presented for a vote under the authority of this ~~section~~ **chapter** and ~~immediately~~ **shall, not more than ten (10) days after the vote,** send a certified copy of the results to the **commissioner of the** department by certified mail.

(g) This subsection applies to a county having a population of more than one hundred forty-eight thousand (148,000) but less than one hundred seventy thousand (170,000). **Except as provided in subsection (p),** in addition to the rates permitted by subsection (b), the:

(1) county economic development income tax may be imposed at a rate of:

(A) fifteen-hundredths percent (0.15%);

(B) two-tenths percent (0.2%); or

(C) twenty-five hundredths percent (0.25%); and

(2) county economic development income tax rate plus the county option income tax rate that are in effect on January 1 of a year may equal up to one and twenty-five hundredths percent (1.25%);

if the county income tax council makes a determination to impose rates under this subsection and section 22 of this chapter.

(h) For a county having a population of more than forty-one thousand (41,000) but less than forty-three thousand (43,000), **except as provided in subsection (p),** the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and thirty-five hundredths percent (1.35%) if the county has imposed the county adjusted gross income tax at a rate of one and one-tenth percent (1.1%) under IC 6-3.5-1.1-2.5.

(i) For a county having a population of more than thirteen thousand five hundred (13,500) but less than fourteen thousand (14,000), **except**

as provided in subsection (p), the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and fifty-five hundredths percent (1.55%).

(j) For a county having a population of more than seventy-one thousand (71,000) but less than seventy-one thousand four hundred (71,400), **except as provided in subsection (p),** the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%).

(k) This subsection applies to a county having a population of more than twenty-seven thousand four hundred (27,400) but less than twenty-seven thousand five hundred (27,500). **Except as provided in subsection (p),** in addition to the rates permitted under subsection (b):

(1) the county economic development income tax may be imposed at a rate of twenty-five hundredths percent (0.25%); and

(2) the sum of the county economic development income tax rate and the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%);

if the county council makes a determination to impose rates under this subsection and section 22.5 of this chapter.

(l) For a county having a population of more than twenty-nine thousand (29,000) but less than thirty thousand (30,000), **except as provided in subsection (p),** the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%).

(m) For:

(1) a county having a population of more than one hundred eighty-two thousand seven hundred ninety (182,790) but less than two hundred thousand (200,000); or

(2) a county having a population of more than forty-five thousand (45,000) but less than forty-five thousand nine hundred (45,900);

except as provided in subsection (p), the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%).

(n) For a county having a population of more than six thousand (6,000) but less than eight thousand (8,000), **except as provided in subsection (p),** the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January

1 of a year may not exceed one and five-tenths percent (1.5%).

(o) This subsection applies to a county having a population of more than thirty-nine thousand (39,000) but less than thirty-nine thousand six hundred (39,600). **Except as provided in subsection (p),** in addition to the rates permitted under subsection (b):

(1) the county economic development income tax may be imposed at a rate of twenty-five hundredths percent (0.25%); and

(2) the sum of the county economic development income tax rate and:

(A) the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%); or

(B) the county option income tax rate that are in effect on January 1 of a year may not exceed one and twenty-five hundredths percent (1.25%);

if the county council makes a determination to impose rates under this subsection and section 24 of this chapter.

(p) In addition:

(1) the county economic development income tax may be imposed at a rate that exceeds by not more than twenty-five hundredths percent (0.25%) the maximum rate that would otherwise apply under this section; and

(2) the:

(A) county economic development income tax; and

(B) county option income tax or county adjusted gross income tax;

may be imposed at combined rates that exceed by not more than twenty-five hundredths percent (0.25%) the maximum combined rates that would otherwise apply under this section. However, the additional rate imposed under this subsection may not exceed the amount necessary to mitigate the increased ad valorem property taxes on homesteads (as defined in IC 6-1.1-20.9-1) resulting from the deduction of the assessed value of inventory in the county under IC 6-1.1-12-41 or IC 6-1.1-12-42.

(q) If the county economic development income tax is imposed as authorized under subsection (p) at a rate that exceeds the maximum rate that would otherwise apply under this section, the certified distribution must be used for the purpose provided in section 25(e) or 26 of this chapter to the extent that the certified distribution results from the difference between:

(1) the actual county economic development tax rate; and

(2) the maximum rate that would otherwise apply under this

section.

SECTION 122. IC 6-3.5-7-12, AS AMENDED BY P.L.90-2002, SECTION 298, AND AS AMENDED BY P.L.120-2002, SECTION 6, IS CORRECTED AND AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 12. (a) Except as provided in ~~section~~ **sections** 23, **25, and 26** of this chapter, the county auditor shall distribute in the manner specified in this section the certified distribution to the county.

(b) Except as provided in subsections (c) and (h) and ~~section~~ **sections** 15 **and 25** of this chapter, the amount of the certified distribution that the county and each city or town in a county is entitled to receive during May and November of each year equals the product of the following:

(1) The amount of the certified distribution for that month; multiplied by

(2) A fraction. The numerator of the fraction equals the sum of the following:

(A) Total property taxes that are first due and payable to the county, city, or town during the calendar year in which the month falls; plus

(B) For a county, an amount equal to:

(i) the property taxes imposed by the county in 1999 for the county's welfare fund and welfare administration fund; plus

(ii) after December 31, ~~*2002,*~~ *2004*, the greater of zero (0) or the difference between the county hospital care for the indigent property tax levy imposed by the county in ~~*2002,*~~ *2004,* adjusted each year after ~~*2002*~~ *2004* by the statewide average assessed value growth quotient described in IC 12-16-14-3, minus the current uninsured parents program property tax levy imposed by the county.

The denominator of the fraction equals the sum of the total property taxes that are first due and payable to the county and all cities and towns of the county during the calendar year in which the month falls, plus an amount equal to the property taxes imposed by the county in 1999 for the county's welfare fund and welfare administration fund, and after December 31, ~~*2002,*~~ *2004,* the greater of zero (0) or the difference between the county hospital care for the indigent property tax levy imposed by the county in ~~*2002,*~~ *2004,* adjusted each year after ~~*2002*~~ *2004* by the statewide average assessed value growth quotient described in IC 12-16-14-3, minus the current uninsured parents program property tax levy imposed by the county.

(c) This subsection applies to a county council or county income tax

council that imposes a tax under this chapter after June 1, 1992. The body imposing the tax may adopt an ordinance before July 1 of a year to provide for the distribution of certified distributions under this subsection instead of a distribution under subsection (b). The following apply if an ordinance is adopted under this subsection:

(1) The ordinance is effective January 1 of the following year.

(2) **Except as provided in sections 25 and 26 of this chapter,** the amount of the certified distribution that the county and each city and town in the county is entitled to receive during May and November of each year equals the product of:

(A) the amount of the certified distribution for the month; multiplied by

(B) a fraction. For a city or town, the numerator of the fraction equals the population of the city or the town. For a county, the numerator of the fraction equals the population of the part of the county that is not located in a city or town. The denominator of the fraction equals the sum of the population of all cities and towns located in the county and the population of the part of the county that is not located in a city or town.

(3) The ordinance may be made irrevocable for the duration of specified lease rental or debt service payments.

(d) The body imposing the tax may not adopt an ordinance under subsection (c) if, before the adoption of the proposed ordinance, any of the following have pledged the county economic development income tax for any purpose permitted by IC 5-1-14 or any other statute:

(1) The county.

(2) A city or town in the county.

(3) A commission, a board, a department, or an authority that is authorized by statute to pledge the county economic development income tax.

(e) The ~~*state board of tax commissioners*~~ *department of local government finance* shall provide each county auditor with the fractional amount of the certified distribution that the county and each city or town in the county is entitled to receive under this section.

(f) Money received by a county, city, or town under this section shall be deposited in the unit's economic development income tax fund.

(g) Except as provided in subsection (b)(2)(B), in determining the fractional amount of the certified distribution the county and its cities and towns are entitled to receive under subsection (b) during a calendar year, the ~~*state board of tax commissioners*~~ *department of local government finance* shall consider only property taxes imposed on tangible property subject to assessment in that county.

(h) In a county having a consolidated city, only the consolidated city is entitled to the certified distribution, subject to the requirements of ~~section~~ **sections** 15, **25, and 26** of this chapter.

SECTION 123. IC 6-3.5-7-13.1, AS AMENDED BY P.L.124-1999, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 13.1. (a) The fiscal officer of each county, city, or town for a county in which the county economic development tax is imposed shall establish an economic development income tax fund. Except as provided in ~~section~~ **sections** 23, **25, and 26** of this chapter, the revenue received by a county, city, or town under this chapter shall be deposited in the unit's economic development income tax fund.

(b) Except as provided in sections 15, ~~and~~ 23, **25, and 26** of this chapter, revenues from the county economic development income tax may be used as follows:

(1) By a county, city, or town for economic development projects, for paying, notwithstanding any other law, under a written agreement all or a part of the interest owed by a private developer or user on a loan extended by a financial institution or other lender to the developer or user if the proceeds of the loan are or are to be used to finance an economic development project, for the retirement of bonds under section 14 of this chapter for economic development projects, for leases under section 21 of this chapter, or for leases or bonds entered into or issued prior to the date the economic development income tax was imposed if the purpose of the lease or bonds would have qualified as a purpose under this chapter at the time the lease was entered into or the bonds were issued.

(2) By a county, city, or town for:

(A) the construction or acquisition of, or remedial action with respect to, a capital project for which the unit is empowered to issue general obligation bonds or establish a fund under any statute listed in IC 6-1.1-18.5-9.8;

(B) the retirement of bonds issued under any provision of Indiana law for a capital project;

(C) the payment of lease rentals under any statute for a capital project;

(D) contract payments to a nonprofit corporation whose primary corporate purpose is to assist government in planning and implementing economic development projects;

(E) operating expenses of a governmental entity that plans or implements economic development projects;

(F) to the extent not otherwise allowed under this chapter, funding substance removal or remedial action in a designated unit; or

(G) funding of a revolving fund established under IC 5-1-14-14.

(c) As used in this section, an economic development project is any project that:

(1) the county, city, or town determines will:

(A) promote significant opportunities for the gainful employment of its citizens;

(B) attract a major new business enterprise to the unit; or

(C) retain or expand a significant business enterprise within the unit; and

(2) involves an expenditure for:

(A) the acquisition of land;

(B) interests in land;

(C) site improvements;

(D) infrastructure improvements;

(E) buildings;

(F) structures;

(G) rehabilitation, renovation, and enlargement of buildings and structures;

(H) machinery;

(I) equipment;

(J) furnishings;

(K) facilities;

(L) administrative expenses associated with such a project, including contract payments authorized under subsection (b)(2)(D);

(M) operating expenses authorized under subsection (b)(2)(E); or

(N) to the extent not otherwise allowed under this chapter, substance removal or remedial action in a designated unit;

or any combination of these.

SECTION 124. IC 6-3.5-7-15 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 15. (a) The executive of a county, city, or town may, **subject to the use of the certified distribution permitted under sections 25 and 26 of this chapter:**

(1) adopt a capital improvement plan specifying the uses of the revenues to be received under this chapter; or

(2) designate the county or a city or town in the county as the

recipient of all or a part of its share of the distribution.

(b) If a designation is made under subsection (a)(2), the county treasurer shall transfer the share or part of the share to the designated unit unless that unit does not have a capital improvement plan.

(c) A county, city, or town that fails to adopt a capital improvement plan may not receive:

(1) its fractional amount of the certified distribution; or

(2) any amount designated under subsection (c)(2);

for the year or years in which the unit does not have a plan. The county treasurer shall retain the certified distribution and any designated distribution for such a unit in a separate account until the unit adopts a plan. Interest on the separate account becomes part of the account. If a unit fails to adopt a plan for a period of three (3) years, then the balance in the separate account shall be distributed to the other units in the county based on property taxes first due and payable to the units during the calendar year in which the three (3) year period expires.

(d) A capital improvement plan must include the following components:

(1) Identification and general description of each project that would be funded by the county economic development income tax.

(2) The estimated total cost of the project.

(3) Identification of all sources of funds expected to be used for each project.

(4) The planning, development, and construction schedule of each project.

(e) A capital improvement plan:

(1) must encompass a period of no less than two (2) years; and

(2) must incorporate projects the cost of which is at least seventy-five percent (75%) of the fractional amount certified distribution expected to be received by the county, city, or town in that period of time.

(f) In making a designation under subsection (a)(2), the executive must specify the purpose and duration of the designation. If the designation is made to provide for the payment of lease rentals or bond payments, the executive may specify that the designation and its duration are irrevocable.

SECTION 125. IC 6-3.5-7-16, AS AMENDED BY P.L.157-2002, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 16. (a) Except as provided in ~~subsection~~ **subsections** (b) **and (c),** on May 1 of each year, one-half (1/2) of each county's certified distribution for a calendar year shall be distributed

from its account established under section 10 of this chapter to the county treasurer. The other one-half (1/2) shall be distributed on November 1 of that calendar year.

(b) This subsection applies to a county having a population of more than one hundred forty-five thousand (145,000) but less than one hundred forty-eight thousand (148,000). Notwithstanding section 11 of this chapter, the initial certified distribution certified for a county under section 11 of this chapter shall be distributed to the county treasurer from the account established for the county under section 10 of this chapter according to the following schedule during the eighteen (18) month period beginning on July 1 of the year in which the county initially adopts an ordinance under section 2 of this chapter:

(1) One-fourth (1/4) on October 1 of the year in which the ordinance was adopted.

(2) One-fourth (1/4) on January 1 of the calendar year following the year in which the ordinance was adopted.

(3) One-fourth (1/4) on May 1 of the calendar year following the year in which the ordinance was adopted.

(4) One-fourth (1/4) on November 1 of the calendar year following the year in which the ordinance was adopted.

The county auditor and county treasurer shall distribute amounts received under this subsection to a county and each city or town in the county in the same proportions as are set forth in section 12 of this chapter. Certified distributions made to the county treasurer for calendar years following the eighteen (18) month period described in this subsection shall be made as provided in subsection (a).

(c) **Before July 1 of each year, a county's certified distribution for additional homestead credits under section 25 or 26 of this chapter for the year shall be distributed from the county's account established under section 10 of this chapter.**

(d) All distributions from an account established under section 10 of this chapter shall be made by warrants issued by the auditor of state to the treasurer of state ordering the appropriate payments.

SECTION 126. IC 6-3.5-7-23, AS AMENDED BY P.L.87-2002, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 23. (a) This section applies only to a county having a population of more than fifty-five thousand (55,000) but less than sixty-five thousand (65,000).

(b) The county council may by ordinance determine that, in order to promote the development of libraries in the county and thereby encourage economic development, it is necessary to use economic development income tax revenue to replace library property taxes in

the county. However, a county council may adopt an ordinance under this subsection only if all territory in the county is included in a library district.

(c) If the county council makes a determination under subsection (b), the county council may designate the county economic development income tax revenue generated by the tax rate adopted under section 5 of this chapter, or revenue generated by a portion of the tax rate, as revenue that will be used to replace public library property taxes imposed by public libraries in the county. The county council may not designate for library property tax replacement purposes any county economic development income tax revenue that is generated by a tax rate of more than fifteen-hundredths percent (0.15%).

(d) The county treasurer shall establish a library property tax replacement fund to be used only for the purposes described in this section. County economic development income tax revenues derived from the portion of the tax rate designated for property tax replacement credits under subsection (c) shall be deposited in the library property tax replacement fund before certified distributions are made under section 12 of this chapter. Any interest earned on money in the library property tax replacement fund shall be credited to the library property tax replacement fund.

(e) The amount of county economic development income tax revenue dedicated to providing library property tax replacement credits shall, in the manner prescribed in this section, be allocated to public libraries operating in the county and shall be used by those public libraries as property tax replacement credits. The amount of property tax replacement credits that each public library in the county is entitled to receive during a calendar year under this section equals the lesser of:

(1) the product of:

(A) the amount of revenue deposited by the county auditor in the library property tax replacement fund; multiplied by

(B) a fraction described as follows:

(i) The numerator of the fraction equals the sum of the total property taxes that would have been collected by the public library during the previous calendar year from taxpayers located within the library district if the property tax replacement under this section had not been in effect.

(ii) The denominator of the fraction equals the sum of the total property taxes that would have been collected during the previous year from taxpayers located within the county by all public libraries that are eligible to receive property tax replacement credits under this section if the property tax

replacement under this section had not been in effect; or

(2) the total property taxes that would otherwise be collected by the public library for the calendar year if the property tax replacement credit under this section were not in effect.

The department of local government finance shall make any adjustments necessary to account for the expansion of a library district. However, a public library is eligible to receive property tax replacement credits under this section only if it has entered into reciprocal borrowing agreements with all other public libraries in the county. If the total amount of county economic development income tax revenue deposited by the county auditor in the library property tax replacement fund for a calendar year exceeds the total property tax liability that would otherwise be imposed for public libraries in the county for the year, the excess shall remain in the library property tax replacement fund and shall be used for library property tax replacement purposes in the following calendar year.

(f) Notwithstanding subsection (e), if a public library did not impose a property tax levy during the previous calendar year, that public library is entitled to receive a part of the property tax replacement credits to be distributed for the calendar year. The amount of property tax replacement credits the public library is entitled to receive during the calendar year equals the product of:

(1) the amount of revenue deposited in the library property tax replacement fund; multiplied by

(2) a fraction. The numerator of the fraction equals the budget of the public library for that calendar year. The denominator of the fraction equals the aggregate budgets of public libraries in the county for that calendar year.

If for a calendar year a public library is allocated a part of the property tax replacement credits under this subsection, then the amount of property tax credits distributed to other public libraries in the county for the calendar year shall be reduced by the amount to be distributed as property tax replacement credits under this subsection. The department of local government finance shall make any adjustments required by this subsection and provide the adjustments to the county auditor.

(g) The department of local government finance shall inform the county auditor of the amount of property tax replacement credits that each public library in the county is entitled to receive under this section. The county auditor shall certify to each public library the amount of property tax replacement credits that the public library is entitled to receive during that calendar year. The county auditor shall

also certify these amounts to the county treasurer.

(h) A public library receiving property tax replacement credits under this section shall allocate the credits among each fund for which a distinct property tax levy is imposed. The amount that must be allocated to each fund equals:

(1) the amount of property tax replacement credits provided to the public library under this section; multiplied by

(2) the amount determined in STEP THREE of the following formula:

STEP ONE: Determine the property taxes that would have been collected for each fund by the public library during the previous calendar year if the property tax replacement under this section had not been in effect.

STEP TWO: Determine the sum of the total property taxes that would have been collected for all funds by the public library during the previous calendar year if the property tax replacement under this section had not been in effect.

STEP THREE: Divide the STEP ONE amount by the STEP TWO amount.

However, if a public library did not impose a property tax levy during the previous calendar year or did not impose a property tax levy for a particular fund during the previous calendar year, but the public library is imposing a property tax levy in the current calendar year or is imposing a property tax levy for the particular fund in the current calendar year, the department of local government finance shall adjust the amount of property tax replacement credits allocated among the various funds of the public library and shall provide the adjustment to the county auditor. If a public library receiving property tax replacement credits under this section does not impose a property tax levy for a particular fund that is first due and payable in a calendar year in which the property tax replacement credits are being distributed, the public library is not required to allocate to that fund a part of the property tax replacement credits to be distributed to the public library. Notwithstanding IC 6-1.1-20-1.1(1), a public library that receives property tax replacement credits under this section is subject to the procedures for the issuance of bonds set forth in IC 6-1.1-20.

(i) For each public library that receives property tax credits under this section, the department of local government finance shall certify to the county auditor the property tax rate applicable to each fund after the property tax replacement credits are allocated.

(j) A public library shall treat property tax replacement credits received during a particular calendar year under this section as a part

of the public library's property tax levy for each fund for that same calendar year for purposes of fixing the public library's budget and for purposes of the property tax levy limits imposed by IC 6-1.1-18.5.

(k) The property tax replacement credits that are received under this section do not reduce the total county tax levy that is used to compute the state property tax replacement credit under IC 6-1.1-21. For the purpose of computing and distributing certified distributions under IC 6-3.5-1.1 and tax revenue under ~~IC 6-5-10, IC 6-5-11, IC 6-5-12,~~ IC 6-5.5 or IC 6-6-5, the property tax replacement credits that are received under this section shall be treated as though they were property taxes that were due and payable during that same calendar year.

SECTION 127. IC 6-3.5-7-25 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: **Sec. 25. (a) This section applies only to a county that has adopted an ordinance under IC 6-1.1-12-41(f).**

(b) For purposes of this section, "imposing entity" means the entity that adopted the ordinance under IC 6-1.1-12-41(f).

(c) The imposing entity may adopt an ordinance to provide for the use of the certified distribution described in section 16(c) of this chapter for the purpose provided in subsection (e). A county income tax council that adopts an ordinance under this subsection shall use the procedures set forth in IC 6-3.5-6 concerning the adoption of an ordinance for the imposition of the county option income tax. An ordinance must be adopted under this subsection after January 1 but before April 1 of a calendar year. The ordinance may provide for an additional rate under section 5(p) of this chapter. An ordinance adopted under this subsection:

(1) first applies to the certified distribution described in section 16(c) of this chapter made in the calendar year that immediately succeeds the calendar year in which the ordinance is adopted;

(2) must specify the calendar years to which the ordinance applies; and

(3) must specify that the certified distribution must be used for the purpose provided in subsection (e).

An ordinance adopted under this subsection may be combined with an ordinance adopted under section 26 of this chapter.

(d) If an ordinance is adopted under subsection (c), the percentage of the certified distribution specified in the ordinance for use for the purpose provided in subsection (e) shall be:

(1) retained by the county auditor under subsection (g); and

(2) used for the purpose provided in subsection (e) instead of the purposes specified in the capital improvement plans adopted under section 15 of this chapter.

(e) If an ordinance is adopted under subsection (c), the imposing entity shall use the certified distribution described in section 16(c) of this chapter to increase the percentage of the homestead credit allowed in the county under IC 6-1.1-20.9 for a year to offset the effect on homesteads in the county resulting from a county deduction for inventory under IC 6-1.1-12-41. The county auditor shall, for each calendar year in which an increased homestead credit percentage is authorized under this section, determine:

(1) the amount of the certified distribution that is available to provide an increased homestead credit percentage for the year;

(2) the amount of uniformly applied homestead credits for the year in the county that equals the amount determined under subdivision (1); and

(3) the increased percentage of homestead credit that equates to the amount of homestead credits determined under subdivision (2).

(f) The increased percentage of homestead credit determined by the county auditor under subsection (e) applies uniformly in the county in the calendar year for which the increased percentage is determined.

(g) The county auditor shall retain from the payments of the county's certified distribution an amount equal to the revenue lost, if any, due to the increase of the homestead credit within the county. The money shall be distributed to the civil taxing units and school corporations of the county:

(1) as if the money were from property tax collections; and

(2) in such a manner that no civil taxing unit or school corporation will suffer a net revenue loss because of the allowance of an increased homestead credit.

SECTION 128. IC 6-3.5-7-26 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: **Sec. 26. (a) This section applies only to homestead credits for property taxes first due and payable after calendar year 2006.**

(b) For purposes of this section, "adopting entity" means the entity that:

(1) adopts an ordinance under IC 6-1.1-12-41(f); or

(2) any other entity that may impose a county economic development income tax under section 5 of this chapter.

(c) An adopting entity may adopt an ordinance to provide for the use of the certified distribution described in section 16(c) of this chapter for the purpose provided in subsection (e). An adopting entity that adopts an ordinance under this subsection shall use the procedures set forth in IC 6-3.5-6 concerning the adoption of an ordinance for the imposition of the county option income tax. An ordinance must be adopted under this subsection after January 1 but before April 1 of a calendar year. The ordinance may provide for an additional rate under section 5(p) of this chapter. An ordinance adopted under this subsection:

(1) first applies to the certified distribution described in section 16(c) of this chapter made in the later of the calendar year that immediately succeeds the calendar year in which the ordinance is adopted or calendar year 2007; and

(2) must specify that the certified distribution must be used for the purpose provided in subsection (e).

An ordinance adopted under this subsection may be combined with an ordinance adopted under section 25 of this chapter.

(d) If an ordinance is adopted under subsection (c), the percentage of the certified distribution specified in the ordinance for use for the purpose provided in subsection (e) shall be:

(1) retained by the county auditor under subsection (g); and

(2) used for the purpose provided in subsection (e) instead of the purposes specified in the capital improvement plans adopted under section 15 of this chapter.

(e) If an ordinance is adopted under subsection (c), the adopting entity shall use the certified distribution described in section 16(c) of this chapter to increase the percentage of the homestead credit allowed in the county under IC 6-1.1-20.9 for a year to offset the effect on homesteads in the county resulting from the statewide deduction for inventory under IC 6-1.1-12-42. The county auditor shall, for each calendar year in which an increased homestead credit percentage is authorized under this section, determine:

(1) the amount of the certified distribution that is available to provide an increased homestead credit percentage for the year;

(2) the amount of uniformly applied homestead credits for the year in the county that equals the amount determined under subdivision (1); and

(3) the increased percentage of homestead credit that equates

to the amount of homestead credits determined under subdivision (2).

(f) The increased percentage of homestead credit determined by the county auditor under subsection (e) applies uniformly in the county in the calendar year for which the increased percentage is determined.

(g) The county auditor shall retain from the payments of the county's certified distribution an amount equal to the revenue lost, if any, due to the increase of the homestead credit within the county. The money shall be distributed to the civil taxing units and school corporations of the county:

(1) as if the money were from property tax collections; and

(2) in such a manner that no civil taxing unit or school corporation will suffer a net revenue loss because of the allowance of an increased homestead credit.

SECTION 129. IC 6-5.5-8-2, AS AMENDED BY P.L.90-2002, SECTION 303, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2. (a) On or before February 1, May 1, August 1, and December 1 of each year the auditor of state shall transfer to each county auditor for distribution to the taxing units (as defined in IC 6-1.1-1-21) in the county, an amount equal to one-fourth (1/4) of the sum of the guaranteed amounts for all the taxing units of the county. On or before August 1 of each year the auditor of state shall transfer to each county auditor the supplemental distribution for the county for the year.

(b) For purposes of determining distributions under subsection ~~(b),~~ **(c),** the department of local government finance shall determine a state welfare allocation for each county calculated as follows:

(1) For 2000 and each year thereafter, the state welfare allocation for each county equals the greater of zero (0) or the amount determined under the following formula:

STEP ONE: For 1997, 1998, and 1999, determine the result of:

(A) the amounts appropriated by the county in the year for the county's county welfare fund and county welfare administration fund; divided by

(B) the amounts appropriated by all the taxing units in the county in the year.

STEP TWO: Determine the sum of the results determined in STEP ONE.

STEP THREE: Divide the STEP TWO result by three (3).

STEP FOUR: Determine the amount that would otherwise be

distributed to all the taxing units in the county under subsection (b) without regard to this subdivision.

STEP FIVE: Determine the result of:

(A) the STEP FOUR amount; multiplied by

(B) the STEP THREE result.

(2) The state welfare allocation shall be deducted from the distributions otherwise payable under subsection ~~(b)~~ **(c)** to the taxing unit that is a county and shall be deposited in a special account within the state general fund.

~~(b)~~ **(c)** A taxing unit's guaranteed distribution for a year is the greater of zero (0) or an amount equal to:

(1) the amount received by the taxing unit under IC 6-5-10 **(repealed)** and IC 6-5-11 **(repealed)** in 1989; minus

(2) the amount to be received by the taxing unit in the year of the distribution, as determined by the department of local government finance, from property taxes attributable to the personal property of banks, exclusive of the property taxes attributable to personal property leased by banks as the lessor where the possession of the personal property is transferred to the lessee; minus

(3) in the case of a taxing unit that is a county, the amount that would have been received by the taxing unit in the year of the distribution, as determined by the department of local government finance from property taxes that:

(A) were calculated for the county's county welfare fund and county welfare administration fund for 2000 but were not imposed because of the repeal of IC 12-19-3 and IC 12-19-4; and

(B) would have been attributable to the personal property of banks, exclusive of the property taxes attributable to personal property leased by banks as the lessor where the possession of the personal property is transferred to the lessee.

~~(c)~~ **(d)** The amount of the supplemental distribution for a county for a year shall be determined using the following formula:

STEP ONE: Determine the greater of zero (0) or the difference between:

(A) one-half (1/2) of the taxes that the department estimates will be paid under this article during the year; minus

(B) the sum of all the guaranteed distributions, before the subtraction of all state welfare allocations under subsection (a), for all taxing units in all counties plus the bank personal property taxes to be received by all taxing units in all counties, as determined under subsection ~~(b)(2)~~ **(c)(2)** for the year.

STEP TWO: Determine the quotient of:

(A) the amount received under IC 6-5-10 **(repealed)** and IC 6-5-11 **(repealed)** in 1989 by all taxing units in the county; divided by

(B) the sum of the amounts received under IC 6-5-10 **(repealed)** and IC 6-5-11 **(repealed)** in 1989 by all taxing units in all counties.

STEP THREE: Determine the product of:

(A) the amount determined in STEP ONE; multiplied by

(B) the amount determined in STEP TWO.

STEP FOUR: Determine the greater of zero (0) or the difference between:

(A) the amount of supplemental distribution determined in STEP THREE for the county; minus

(B) the amount of refunds granted under IC 6-5-10-7 **(repealed)** that have yet to be reimbursed to the state by the county treasurer under IC 6-5-10-13 **(repealed).**

For the supplemental distribution made on or before August 1 of each year, the department shall adjust the amount of each county's supplemental distribution to reflect the actual taxes paid under this article for the preceding year.

~~(d)~~ **(e)** Except as provided in subsection ~~(f),~~ **(g),** the amount of the supplemental distribution for each taxing unit shall be determined using the following formula:

STEP ONE: Determine the quotient of:

(A) the amount received by the taxing unit under IC 6-5-10 **(repealed)** and IC 6-5-11 **(repealed)** in 1989; divided by

(B) the sum of the amounts used in STEP ONE (A) for all taxing units located in the county.

STEP TWO: Determine the product of:

(A) the amount determined in STEP ONE; multiplied by

(B) the supplemental distribution for the county, as determined in subsection ~~(c),~~ **(d),** STEP FOUR.

~~(e)~~ **(f)** The county auditor shall distribute the guaranteed and supplemental distributions received under subsection (a) to the taxing units in the county at the same time that the county auditor makes the semiannual distribution of real property taxes to the taxing units.

~~(f)~~ **(g)** The amount of a supplemental distribution paid to a taxing unit that is a county shall be reduced by an amount equal to:

(1) the amount the county would receive under subsection ~~(d)~~ **(e)** without regard to this subsection; minus

(2) an amount equal to:

(A) the amount under subdivision (1); multiplied by

(B) the result of the following:

(i) Determine the amounts appropriated by the county in 1997, 1998, and 1999, from the county's county welfare fund and county welfare administration fund, divided by the total amounts appropriated by all the taxing units in the county in the year.

(ii) Divide the amount determined in item (i) by three (3).

SECTION 130. IC 6-5.5-9-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. If the tax imposed by this article is held inapplicable or invalid with respect to a taxpayer, then notwithstanding the statute of limitations set forth in IC 6-8.1-5-2(a), the taxpayer is liable for the taxes imposed by ~~IC 6-2.1 IC 6-3 and IC 6-5~~ for the taxable periods with respect to which the tax under this article is held inapplicable or invalid. ~~In addition, personal property is exempt from assessment and property taxation under IC 6-1.1 if:~~

~~(1) the personal property is owned by a financial institution;~~

~~(2) the financial institution is subject to the bank tax imposed under IC 6-5-10; and~~

~~(3) the property is not leased by the financial institution to a lessee under circumstances in which possession is transferred to the lessee.~~

SECTION 131. IC 6-5.5-9-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4. (a) A taxpayer who is subject to taxation under this article for a taxable year or part of a taxable year is not, for that taxable year or part of a taxable year, subject to

~~(1) the gross income tax imposed by IC 6-2.1;~~

~~(2)~~ the income taxes imposed by IC 6-3. ~~and~~

~~(3) the bank, savings and loan, or production credit association tax imposed by IC 6-5.~~

(b) The ~~exemptions~~ **exemption** provided for the taxes listed in subsection ~~(a)(1) through (a)(2) do~~ **(a) does** not apply to a taxpayer to the extent the taxpayer is acting in a fiduciary capacity.

SECTION 132. IC 6-6-1.1-201 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 201. A license tax of ~~fifteen~~ **eighteen** cents ~~($0.15)~~ **($0.18)** per gallon is imposed on the use of all gasoline used in Indiana, except as otherwise provided by this chapter. The distributor shall initially pay the tax on the billed gallonage of all gasoline the distributor receives in this state, less any deductions authorized by this chapter. The distributor shall then add

the per gallon amount of tax to the selling price of each gallon of gasoline sold in this state and collected from the purchaser so that the ultimate consumer bears the burden of the tax.

SECTION 133. IC 6-6-1.1-801.5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 801.5. (a) The administrator shall transfer ~~one-fifteenth (1/15)~~ **one-ninth (1/9)** of the taxes that are collected under this chapter to the state highway road construction and improvement fund.

(b) The administrator shall transfer one-eighteenth (1/18) of the taxes that are collected under this chapter to the state highway fund.

(c) The administrator shall transfer one-eighteenth (1/18) of the taxes that are collected under this chapter to the auditor of state for distribution to counties, cities, and towns. The auditor of state shall distribute the amounts transferred under this subsection to each of the counties, cities, and towns eligible to receive a distribution from the motor vehicle highway account under IC 8-14-1 and in the same proportion among the counties, cities, and towns as funds are distributed from the motor vehicle highway account under IC 8-14-1. Money distributed under this subsection may be used only for purposes that money distributed from the motor vehicle highway account may be expended under IC 8-14-1.

~~(b)~~ **(d)** After the ~~transfer~~ **transfers** required by ~~subsection~~ **subsections** (a) **through (c),** the administrator shall transfer the next twenty-five million dollars ($25,000,000) of the taxes that are collected under this chapter and received during a period beginning July 1 of a year and ending June 30 of the immediately succeeding year to the auditor of state for distribution in the following manner:

(1) thirty percent (30%) to each of the counties, cities, and towns eligible to receive a distribution from the local road and street account under IC 8-14-2 and in the same proportion among the counties, cities, and towns as funds are distributed under IC 8-14-2-4;

(2) thirty percent (30%) to each of the counties, cities, and towns eligible to receive a distribution from the motor vehicle highway account under IC 8-14-1 and in the same proportion among the counties, cities, and towns as funds are distributed from the motor vehicle highway account under IC 8-14-1; and

(3) forty percent (40%) to the Indiana department of transportation.

~~(c)~~ **(e)** The auditor of state shall hold all amounts of collections received under subsection ~~(b)~~ **(d)** from the administrator that are made

during a particular month and shall distribute all of those amounts pursuant to subsection ~~(b)~~ **(d)** on the fifth day of the immediately succeeding month.

~~(d)~~ **(f)** All amounts distributed under subsection ~~(b)~~ **(d)** may only be used for purposes that money distributed from the motor vehicle highway account may be expended under IC 8-14-1.

SECTION 134. IC 6-6-1.1-1204 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 1204. (a) No city, town, county, township, or other subdivision or municipal corporation of the state may levy or collect:

(1) an excise tax on or measured by the sale, receipt, distribution, or use of gasoline; or

(2) an excise, privilege, or occupational tax on the business of manufacturing, selling, or distributing gasoline.

(b) The provisions of subsection (a) may not be construed as to relieve a distributor or dealer from payment of ~~the~~ **a** state ~~gross income~~ tax or state store license.

SECTION 135. IC 6-7-1-12 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 12. (a) The following taxes are imposed, and shall be collected and paid as provided in this chapter, upon the sale, exchange, bartering, furnishing, giving away, or otherwise disposing of cigarettes within the state of Indiana:

(1) On cigarettes weighing not more than three (3) pounds per thousand (1,000), a tax at the rate of ~~seven hundred seventy-five thousandths of a cent ($0.00775)~~ **two and seven hundred seventy-five thousandths of a cent ($0.02775)** per individual cigarette.

(2) On cigarettes weighing more than three (3) pounds per thousand (1,000), a tax at the rate of ~~one and three-hundredths of a cent ($0.0103)~~ **three and six thousand eight hundred eighty-one ten-thousandths of a cent ($0.036881)** per individual cigarette, except that if any cigarettes weighing more than three (3) pounds per thousand (1,000) shall be more than six and one-half (6 1/2) inches in length, they shall be taxable at the rate provided in subdivision (1), counting each two and three-fourths (2 3/4) inches (or fraction thereof) as a separate cigarette.

(b) Upon all cigarette papers, wrappers, or tubes, made or prepared for the purpose of making cigarettes, which are sold, exchanged, bartered, given away, or otherwise disposed of within the state of Indiana (other than to a manufacturer of cigarettes for use by him in the manufacture of cigarettes), the following taxes are imposed, and shall be collected and paid as provided in this chapter:

(1) On fifty (50) papers or less, a tax of one-half cent ($0.005).

(2) On more than fifty (50) papers but not more than one hundred (100) papers, a tax of one cent ($0.01).

(3) On more than one hundred (100) papers, one-half cent ($0.005) for each fifty (50) papers or fractional part thereof.

(4) On tubes, one cent ($0.01) for each fifty (50) tubes or fractional part thereof.

SECTION 136. IC 6-7-1-17 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 17. (a) Distributors who hold certificates and retailers shall be agents of the state in the collection of the taxes imposed by this chapter and the amount of the tax levied, assessed, and imposed by this chapter on cigarettes sold, exchanged, bartered, furnished, given away, or otherwise disposed of by distributors or to retailers. Distributors who hold certificates shall be agents of the department to affix the required stamps and shall be entitled to purchase the stamps from the department at a discount of ~~four~~ **one and two-tenths** percent ~~(4%)~~ **(1.2%)** of the amount of the tax stamps purchased, as compensation for their labor and expense.

(b) The department may permit distributors who hold certificates and who are admitted to do business in Indiana to pay for revenue stamps within thirty (30) days after the date of purchase. However, the privilege is extended upon the express condition that:

(1) except as provided in subsection (c), a bond or letter of credit satisfactory to the department, in an amount not less than the sales price of the stamps, is filed with the department; and

(2) proof of payment is made of all local property, state income, and excise taxes for which any such distributor may be liable. The bond or letter of credit, conditioned to secure payment for the stamps, shall be executed by the distributor as principal and by a corporation duly authorized to engage in business as a surety company or financial institution in Indiana.

(c) If:

(1) there is an increase in the amount of the tax imposed upon cigarettes under this chapter; and

(2) a distributor has at least five (5) consecutive years of good credit standing with the state as of the effective date of the tax increase described in subdivision (1);

the amount of the bond required by subsection (b)(1) remains the same as before the increase in the tax on cigarettes took effect.

SECTION 137. IC 6-7-1-28.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE AUGUST 1, 2002]: Sec. 28.1. The taxes, registration fees, fines, or penalties collected under this chapter shall

be deposited in the following manner:

(1) ~~Seven thirty-firsts (7/31)~~ **Six and six tenths percent (6.6%)** of the money shall be deposited in a fund to be known as the cigarette tax fund.

(2) ~~One thirty-first (1/31)~~ **Ninety-four hundredths percent (0.94%)** of the money shall be deposited in a fund to be known as the mental health centers fund.

(3) ~~Fourteen thirty-firsts (14/31)~~ **Eighty-three and ninety-seven hundredths percent (83.97%)** of the money shall be deposited in the state general fund.

(4) ~~Nine thirty-firsts (9/31)~~ **Eight and forty-nine hundredths percent (8.49%)** of the money shall be deposited into the pension relief fund established in IC 5-10.3-11.

The money in the cigarette tax fund, the mental health centers fund, or the pension relief fund at the end of a fiscal year does not revert to the state general fund. However, if in any fiscal year, the amount allocated to a fund under subdivision (1) or (2) is less than the amount received in fiscal year 1977, then that fund shall be credited with the difference between the amount allocated and the amount received in fiscal year 1977, and the allocation for the fiscal year to the fund under subdivision (3) shall be reduced by the amount of that difference.

SECTION 138. IC 6-7-2-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 7. A tax is imposed on the distribution of tobacco products in Indiana at the rate of ~~fifteen~~ **eighteen** percent ~~(15%)~~ **(18%)** of the wholesale price of the tobacco products. The distributor of the tobacco products is liable for the tax. The tax is imposed at the time the distributor:

(1) brings or causes tobacco products to be brought into Indiana for distribution;

(2) manufactures tobacco products in Indiana for distribution; or

(3) transports tobacco products to retail dealers in Indiana for resale by those retail dealers.

SECTION 139. IC 6-7-2-13 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 13. A distributor that files a complete return and pays the tax due within the time specified in section 12 of this chapter is entitled to deduct and retain from the tax a collection allowance of ~~one percent (1%)~~ **six-thousandths (0.006)** of the amount due. If a distributor files an incomplete report, the department may reduce the collection allowance by an amount that does not exceed the lesser of:

(1) ten percent (10%) of the collection allowance; or

(2) fifty dollars ($50).

SECTION 140. IC 6-8.1-1-1, AS AMENDED BY P.L.151-2001, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 1. "Listed taxes" or "taxes" includes only the pari-mutuel taxes (IC 4-31-9-3 through IC 4-31-9-5); the riverboat admissions tax (IC 4-33-12); the riverboat wagering tax (IC 4-33-13); the gross income tax (IC 6-2.1) **(repealed); the utility receipts tax (IC 6-2.3);** the state gross retail and use taxes (IC 6-2.5); the adjusted gross income tax (IC 6-3); the supplemental net income tax (IC 6-3-8) **(repealed);** the county adjusted gross income tax (IC 6-3.5-1.1); the county option income tax (IC 6-3.5-6); the county economic development income tax (IC 6-3.5-7); the municipal option income tax (IC 6-3.5-8); the auto rental excise tax (IC 6-6-9); ~~the bank tax (IC 6-5-10); the savings and loan association tax (IC 6-5-11); the production credit association tax (IC 6-5-12);~~ the financial institutions tax (IC 6-5.5); the gasoline tax (IC 6-6-1.1); the alternative fuel permit fee (IC 6-6-2.1); the special fuel tax (IC 6-6-2.5); the motor carrier fuel tax (IC 6-6-4.1); a motor fuel tax collected under a reciprocal agreement under IC 6-8.1-3; the motor vehicle excise tax (IC 6-6-5); the commercial vehicle excise tax (IC 6-6-5.5); the hazardous waste disposal tax (IC 6-6-6.6); the cigarette tax (IC 6-7-1); the beer excise tax (IC 7.1-4-2); the liquor excise tax (IC 7.1-4-3); the wine excise tax (IC 7.1-4-4); the hard cider excise tax (IC 7.1-4-4.5); the malt excise tax (IC 7.1-4-5); the petroleum severance tax (IC 6-8-1); the various innkeeper's taxes (IC 6-9); the various county food and beverage taxes (IC 6-9); the county admissions tax (IC 6-9-13 and IC 6-9-28); the oil inspection fee (IC 16-44-2); the emergency and hazardous chemical inventory form fee (IC 6-6-10); the penalties assessed for oversize vehicles (IC 9-20-3 and IC 9-30); the fees and penalties assessed for overweight vehicles (IC 9-20-4 and IC 9-30); the underground storage tank fee (IC 13-23); the solid waste management fee (IC 13-20-22); and any other tax or fee that the department is required to collect or administer.

SECTION 141. IC 6-8.1-3-16, AS AMENDED BY P.L.57-2000, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 16. (a) The department shall prepare a list of all outstanding tax warrants for listed taxes each month. The list shall identify each taxpayer liable for a warrant by name, address, amount of tax, and either Social Security number or employer identification number. Unless the department renews the warrant, the department shall exclude from the list a warrant issued more than ten (10) years before the date of the list. The department shall certify a copy of the list to the bureau of motor vehicles.

(b) The department shall prescribe and furnish tax release forms for use by tax collecting officials. A tax collecting official who collects taxes in satisfaction of an outstanding warrant shall issue to the taxpayers named on the warrant a tax release stating that the tax has been paid. The department may also issue a tax release:

(1) to a taxpayer who has made arrangements satisfactory to the department for the payment of the tax; or

(2) by action of the commissioner under IC 6-8.1-8-2(k).

(c) The department may not issue or renew:

(1) a certificate under IC 6-2.5-8;

(2) a license under IC 6-6-1.1 or IC 6-6-2.5; or

(3) a permit under IC 6-6-4.1;

to a taxpayer whose name appears on the most recent monthly warrant list, unless that taxpayer pays the tax, makes arrangements satisfactory to the department for the payment of the tax, or a release is issued under IC 6-8.1-8-2(k).

(d) The bureau of motor vehicles shall, before issuing the title to a motor vehicle under IC 9-17, determine whether the purchaser's or assignee's name is on the most recent monthly warrant list. If the purchaser's or assignee's name is on the list, the bureau shall enter as a lien on the title the name of the state as the lienholder unless the bureau has received notice from the commissioner under IC 6-8.1-8-2(k). The tax lien on the title:

(1) is subordinate to a perfected security interest (as defined and perfected in accordance with IC 26-1-9.1); and

(2) shall otherwise be treated in the same manner as other title liens.

(e) The commissioner is the custodian of all titles for which the state is the sole lienholder under this section. Upon receipt of the title by the department, the commissioner shall notify the owner of the department's receipt of the title.

(f) The department shall reimburse the bureau of motor vehicles for all costs incurred in carrying out this section.

(g) Notwithstanding IC 6-8.1-8, a person who is authorized to collect taxes, interest, or penalties on behalf of the department under ~~IC 6-2.1,~~ IC 6-3 or IC 6-3.5 may not, except as provided in subsection (h) or (i), receive a fee for collecting the taxes, interest, or penalties if:

(1) the taxpayer pays the taxes, interest, or penalties as consideration for the release of a lien placed under subsection (d) on a motor vehicle title; or

(2) the taxpayer has been denied a certificate or license under subsection (c) within sixty (60) days before the date the taxes,

interest, or penalties are collected.

(h) In the case of a sheriff, subsection (g) does not apply if:

(1) the sheriff collects the taxes, interest, or penalties within sixty (60) days after the date the sheriff receives the tax warrant; or

(2) the sheriff collects the taxes, interest, or penalties through the sale or redemption, in a court proceeding, of a motor vehicle that has a lien placed on its title under subsection (d).

(i) In the case of a person other than a sheriff:

(1) subsection (g)(2) does not apply if the person collects the taxes, interests, or penalties within sixty (60) days after the date the commissioner employs the person to make the collection; and

(2) subsection (g)(1) does not apply if the person collects the taxes, interest, or penalties through the sale or redemption, in a court proceeding, of a motor vehicle that has a lien placed on its title under subsection (d).

SECTION 142. IC 6-8.1-4-1.6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 1.6. Subject to the discretion of the commissioner as set forth in section 1 of this chapter, the commissioner shall establish within the department a special tax division. The division shall do the following:

(1) Administer and enforce the following:

~~(A) Bank tax (IC 6-5-10).~~

~~(B) Savings and loan association tax (IC 6-5-11).~~

~~(C) Production credit association tax (IC 6-5-12).~~

~~(D)~~ **(A)** Gasoline tax (IC 6-6-1.1).

~~(E)~~ **(B)** Special fuel tax (IC 6-6-2.5).

~~(F)~~ **(C)** Motor carrier fuel tax (IC 6-6-4.1).

~~(G)~~ **(D)** Hazardous waste disposal tax (IC 6-6-6.6).

~~(H)~~ **(E)** Cigarette tax (IC 6-7-1).

~~(I)~~ **(F)** Tobacco products tax (IC 6-7-2).

~~(J)~~ **(G)** Alcoholic beverage tax (IC 7.1-4).

~~(K)~~ **(H)** Petroleum severance tax (IC 6-8-1).

~~(L)~~ **(I)** Any other tax the commissioner designates.

(2) Upon the commissioner's request, conduct studies of the department's operations and recommend whatever changes seem advisable.

(3) Annually audit a statistical sampling of the returns filed for the taxes administered by the division.

(4) Annually audit a statistical sampling of registrants with the bureau of motor vehicles, international registration plan division.

(5) Review federal tax returns and other data that may be helpful in performing the division's function.

(6) Furnish, at the commissioner's request, information that the commissioner requires.

(7) Conduct audits requested by the commissioner or the commissioner's designee.

(8) Administer the statutes providing for motor carrier regulation (IC 8-2.1).

SECTION 143. IC 6-8.1-5-2, AS AMENDED BY P.L.181-1999, SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2. (a) Except as otherwise provided in this section, the department may not issue a proposed assessment under section 1 of this chapter more than three (3) years after the latest of the date the return is filed, or any of the following:

(1) the due date of the return; or

(2) in the case of a return filed for the state gross retail or use tax, the gasoline tax, the special fuel tax, the motor carrier fuel tax, the oil inspection fee, or the petroleum severance tax, the end of the calendar year which contains the taxable period for which the return is filed.

(b) If a person files an adjusted gross income tax (IC 6-3), supplemental net income tax (IC 6-3-8) **(repealed),** county adjusted gross income tax (IC 6-3.5-1.1), county option income tax (IC 6-3.5-6), or financial institutions tax (IC 6-5.5) return that understates the person's income, as that term is defined in the particular income tax law, by at least twenty-five percent (25%), the proposed assessment limitation is six (6) years instead of the three (3) years provided in subsection (a).

(c) In the case of the motor vehicle excise tax (IC 6-6-5), the tax shall be assessed as provided in IC 6-6-5-5 and IC 6-6-5-6 and shall include the penalties and interest due on all listed taxes not paid by the due date. A person that fails to properly register a vehicle as required by IC 9-18 and pay the tax due under IC 6-6-5 is considered to have failed to file a return for purposes of this article.

(d) In the case of the commercial vehicle excise tax imposed under IC 6-6-5.5, the tax shall be assessed as provided in IC 6-6-5.5 and shall include the penalties and interest due on all listed taxes not paid by the due date. A person that fails to properly register a commercial vehicle as required by IC 9-18 and pay the tax due under IC 6-6-5.5 is considered to have failed to file a return for purposes of this article.

(e) If a person files a fraudulent, unsigned, or substantially blank return, or if a person does not file a return, there is no time limit within which the department must issue its proposed assessment.

(f) If, before the end of the time within which the department may

make an assessment, the department and the person agree to extend that assessment time period, the period may be extended according to the terms of a written agreement signed by both the department and the person. The agreement must contain:

(1) the date to which the extension is made; and

(2) a statement that the person agrees to preserve the person's records until the extension terminates.

The department and a person may agree to more than one (1) extension under this subsection.

(g) If a taxpayer's federal income tax liability for a taxable year is modified due to the assessment of a federal deficiency or the filing of an amended federal income tax return, then the date by which the department must issue a proposed assessment under section 1 of this chapter for tax imposed under IC 6-3 is extended to six (6) months after the date on which the notice of modification is filed with the department by the taxpayer.

SECTION 144. IC 8-1-2.8-24 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 24. If the InTRAC meets the requirements of sections 18 and 21 of this chapter, the InTRAC:

(1) for purposes of all taxes imposed by the state or any county or municipality in Indiana is an organization that is organized and operated exclusively for charitable purposes; and

(2) qualifies for all exemptions applicable to those organizations, including but not limited to those exemptions set forth in ~~IC 6-2.1-3-20~~ **IC 6-2.5-5-21(b)(1)(B)** and IC 6-1.1-10-16.

SECTION 145. IC 8-21-9-31 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 31. (a) The exercise of the powers granted by this chapter will be in all respects for the benefit of the people of the state, for the increase of their commerce and prosperity, and for the improvement of their health and living conditions, and as the operation and maintenance of an airport facility or airport facilities by the department will constitute the performance of essential governmental functions, the department shall not be required to pay any taxes or assessments upon any airport facility or airport facilities or any property acquired or used by the department under the provisions of this chapter, or upon the income therefrom, and the bonds issued under the provisions of this chapter, the interest thereon, the proceeds received by a holder from the sale of such bonds to the extent of the holder's cost of acquisition, or proceeds received upon redemption prior to maturity or proceeds received at maturity, and the receipt of such interest and proceeds shall be exempt from taxation

in the state of Indiana for all purposes except the financial institutions tax imposed under IC 6-5.5 or a state inheritance tax imposed under IC 6-4.1.

(b) All properties both real and personal owned and operated by the department or leased by the department for proprietary purposes shall be assessed and added to the local tax rolls as any other private property. Such proprietary operations, under control of either the authority or a lessee of the department, shall be subject to Indiana ~~state gross income,~~ adjusted gross income and sales tax laws.

SECTION 146. IC 8-22-2-18 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 18. (a) Subject to the approval of the fiscal body of the eligible entity, the board may contract with any person for construction, extensions, additions, or improvements of an aircraft hangar or revenue producing building or facility located or to be located on the airport of the entity, the cost of which is to be paid in the manner authorized by this section.

(b) A contract made under this section must be authorized by ordinance providing that the principal and interest of bonds issued for the payment of the cost of the construction, extensions, additions, or improvements shall be paid exclusively from the revenues and receipts of the aircraft hangars or revenue producing buildings or facilities, unless otherwise provided by this section.

(c) The fiscal body must, by ordinance, set aside the income and revenues of the buildings or facilities into a separate fund, to be used in the maintenance and operation and in payment of the cost of the construction, extensions, additions, or improvements. The ordinance must fix:

(1) the proportion of the revenues of the buildings or facilities that is necessary for the reasonable and proper operation and maintenance of them; and

(2) the proportion of the revenues that are to be set aside and applied to the payment of the principal and interest of bonds.

The ordinance may provide for the proportion of the revenues that are to be set aside as an adequate depreciation account.

(d) Whenever the board determines that there exists a surplus in funds derived from the net operating receipts of a municipal airport, then the board may recommend to the fiscal body that a designated amount of the surplus fund be appropriated by special or general appropriation to the "aviation revenue bond account" for the relief of principal or interest of bonds issued under this section. However, this surplus in funds may not include monies raised by taxation.

(e) The fiscal body may issue and sell bonds to provide for the

payment of costs of the following:

(1) Airport capital improvements, including the acquisition of real property.

(2) Construction or improvement of revenue producing buildings or facilities owned and operated by the eligible entity.

(3) Payment of any loan contract.

The fiscal body may issue and sell bonds bearing interest, payable annually or semiannually, executed in the manner and payable at the times not exceeding forty (40) years from the date of issue and at the places as the fiscal body of the entity determines, which bonds are payable only out of the "aviation revenue bond account" fund. The bonds have in the hands of bona fide holders all the qualities of negotiable instruments under law.

(f) In case any of the officers whose signatures or countersignatures appear on the bonds or the coupons ceases to be the officer before the delivery of the bonds to the purchaser, the signature or countersignatures are nevertheless valid and sufficient for all purposes, the same as if he had remained in office until the delivery of the bonds. The bonds and their interest issued against an "aviation revenue bond account" fund and the fixed proportion or amount of the revenues pledged to the fund does not constitute an indebtedness of the entity under the Constitution of **the State of** Indiana.

(g) Each bond must state plainly upon its face that it is payable only from the special fund, naming the fund and the ordinance creating it, and that it does not constitute an indebtedness of the entity under the Constitution of **the State of** Indiana. The bonds may be issued either as registered bonds or as bonds payable to bearer. Coupons and bearer bonds may be registered as to principal in the holder's name on the books of the entity, the registration being noted on the bond by the clerk or other designated officer, after which no transfer is valid unless made on the books of the entity by the registered holder and similarly noted on the bonds. Bonds so registered as to principal may be discharged from the registration by being transferred to bearer, after which it is transferable by delivery but may be registered again as to principal. The registration of the bonds as to the principal does not restrain the negotiability of the coupon by delivery, but the coupons may be surrendered and the interest made payable only to the registered holder of the bonds. If the coupons are surrendered, the surrender and cancellation of them shall be noted on the bond and then interest on the bond is payable to the registered holder or order in cash or at his option by check or draft payable at the place or one (1) of the places where the coupons are payable.

(h) The bonds shall be sold in a manner and upon terms that the fiscal body considers in the best interest of the entity.

(i) All bonds issued by an eligible entity under this section are exempt from taxation for all purposes, except that the interest is subject to **the adjusted** gross income tax.

(j) In fixing the proportion of the revenues of the building or facility required for operation and maintenance, the fiscal body shall consider the cost of operation and maintenance of the building or facility and may not set aside into the special fund a greater amount or proportion of the revenues and proceeds than are required for the operation and maintenance. The sums set aside for operation and maintenance shall be used exclusively for that purpose, until the accumulation of a surplus results.

(k) The proportion set aside to the depreciation fund, if a depreciation account or fund is provided for under this section, shall be expended in remedying depreciation in the building or facility or in new construction, extensions, additions, or improvements to the property. Accumulations of the depreciation fund may be invested, and the income from the investment goes into the depreciation fund. The fund, and the proceeds of it, may not be used for any other purpose.

(l) The fixed proportion that is set aside for the payment of the principal and interest of the bonds shall, from month to month, as it is accrued and received, be set apart and paid into a special account in the treasury of the eligible entity, to be identified "aviation revenue bond account," the title of the account to be specified by ordinance. In fixing the amount or proportion to be set aside for the payment of the principal and interest of the bonds, the fiscal body may provide that the amount to be set aside and paid into the aviation revenue bond account for any year or years may not exceed a fixed sum, which sum must be at least sufficient to provide for the payment of the interest and principal of the bonds maturing and becoming payable in each year, together with a surplus or margin of ten percent (10%).

(m) If a surplus is accumulated in the operating and maintenance fund that is equal to the cost of maintaining and operating the building or facility for the twelve (12) following calendar months, the excess over the surplus may be transferred by the fiscal body to either the depreciation account to be used for improvements, extensions, or additions to property or to the aviation revenue bond account fund, as the fiscal body designates.

(n) If a surplus is created in the aviation revenue bond account in excess of the interest and principal of bonds, plus ten percent (10%), becoming payable during the calendar, operating, or fiscal year then

current, together with the amount of interest or principal of bonds becoming due and payable during the next calendar, operating, or fiscal year, the fiscal body may transfer the excess over the surplus to either the operating and maintenance account, or to the depreciation account, as the fiscal body designates.

(o) All money received from bonds issued under this section shall be applied solely for the purposes listed in subsection (e). There is created a statutory mortgage lien upon buildings or facilities for which bonds are issued in favor of the holders of the bonds and of the coupons of the bonds. The buildings or facilities so constructed, extended, or improved remain subject to the statutory mortgage lien until payment in full of the principal and interest of the bonds.

(p) A holder of the bonds or of the attached coupons may enforce the statutory mortgage lien conferred by this section, and may enforce performance of all duties required by this section of the eligible entity issuing the bond or of any officer of the entity, including:

(1) the making and collecting of reasonable and sufficient rates or rentals for the use or lease of the buildings or facilities, or part of them established for the rent, lease, or use of the buildings or facilities;

(2) the segregation of the revenues from the buildings or facilities; and

(3) the application of the respective funds created by this section.

(q) If there is a default in the payment of the principal or interest of any of the bonds, a court having jurisdiction of the action may appoint an administrator or receiver to administer, manage, or operate the buildings or facilities on behalf of the entity, and the bondholders, with power to:

(1) charge and collect rates or rentals for the use or lease of the buildings or facilities sufficient to provide for the payment of the operating expenses;

(2) pay any bonds or obligations outstanding against the buildings or facilities; and

(3) apply the income and revenues thereof in accord with this section and the ordinance.

SECTION 147. IC 8-22-3.5-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 10. (a) Except in a county described in section 1(5) of this chapter, if the commission adopts the provisions of this section by resolution, each taxpayer in the airport development zone is entitled to an additional credit for ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** that, under IC 6-1.1-22-9, are due and payable in May and November of that year. One-half (1/2) of the

credit shall be applied to each installment of ~~property~~ taxes **(as defined in IC 6-1.1-21-2).** This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district that contains all or part of the airport development zone:

STEP ONE: Determine that part of the sum of the amounts under IC 6-1.1-21-2(g)(1)(A) and IC 6-1.1-21-2(g)(2) through IC 6-1.1-21-2(g)(5) that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part of ~~twenty percent (20%) of~~ the county's ~~total county tax levy payable~~ **eligible property tax replacement amount (as defined in IC 6-1.1-21-2) for** that year as determined under IC 6-1.1-21-4 that is attributable to the taxing district; by

(B) the STEP ONE sum.

STEP THREE: Multiply:

(A) the STEP TWO quotient; by

(B) the total amount of the taxpayer's ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** levied in the taxing district that would have been allocated to the special funds under section 9 of this chapter had the additional credit described in this section not been given.

The additional credit reduces the amount of proceeds allocated and paid into the special funds under section 9 of this chapter.

(b) The additional credit under subsection (a) shall be:

(1) computed on an aggregate basis of all taxpayers in a taxing district that contains all or part of an airport development zone; and

(2) combined on the tax statement sent to each taxpayer.

(c) Concurrently with the mailing or other delivery of the tax statement or any corrected tax statement to each taxpayer, as required by IC 6-1.1-22-8(a), each county treasurer shall for each tax statement also deliver to each taxpayer in an airport development zone who is entitled to the additional credit under subsection (a) a notice of additional credit. The actual dollar amount of the credit, the taxpayer's name and address, and the tax statement to which the credit applies shall be stated on the notice.

SECTION 148. IC 8-22-3.5-14, AS AMENDED BY P.L.90-2002, SECTION 334, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 14. (a) This section applies only to an airport development zone that is in a:

(1) city described in section 1(2) of this chapter; or

(2) county described in section 1(3) or 1(4) of this chapter.

(b) Notwithstanding any other law, a business or an employee of a business that is located in an airport development zone is entitled to the benefits provided by the following statutes, as if the business were located in an enterprise zone:

(1) IC 6-1.1-20.8.

~~(2) IC 6-2.1-3-32.~~

~~(3)~~ **(2)** IC 6-3-2-8.

~~(4)~~ **(3)** IC 6-3-3-10.

~~(5)~~ **(4)** IC 6-3.1-7.

~~(6)~~ **(5)** IC 6-3.1-9.

~~(7)~~ **(6)** IC 6-3.1-10-6.

(c) Before June 1 of each year, a business described in subsection (b) must pay a fee equal to the amount of the fee that is required for enterprise zone businesses under ~~IC 4-4-6.1-2(4)(A).~~ **IC 4-4-6.1-2(a)(4)(A).** However, notwithstanding ~~IC 4-4-6.1-2(4)(A),~~ **IC 4-4-6.1-2(a)(4)(A)**, the fee shall be paid into the debt service fund established under section 9(e)(2) of this chapter. If the commission determines that a business has failed to pay the fee required by this subsection, the business is not eligible for any of the benefits described in subsection (b).

(d) A business that receives any of the benefits described in subsection (b) must use all of those benefits, except for the amount of the fee required by subsection (c), for its property or employees in the airport development zone and to assist the commission. If the commission determines that a business has failed to use its benefits in the manner required by this subsection, the business is not eligible for any of the benefits described in subsection (b).

(e) If the commission determines that a business has failed to pay the fee required by subsection (c) or has failed to use benefits in the manner required by subsection (d), the commission shall provide written notice of the determination to the department of state revenue, the department of local government finance, and the county auditor.

SECTION 149. IC 8-22-3.5-15 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 15. (a) As used in this section, "state income tax liability" means a tax liability that is incurred under:

~~(1) IC 6-2.1 (the gross income tax);~~

~~(2)~~ **(1)** IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax); **or**

~~(3) IC 6-3-8 (the supplemental net income tax); or~~

~~(4)~~ **(2)** any other tax imposed by this state and based on or measured by either gross income or net income.

(b) The attraction of qualified airport development projects to a consolidated city within Indiana is a governmental function of general public benefit for all the citizens of Indiana.

(c) As an incentive to attract qualified airport development projects to Indiana, for a period of thirty-five (35) years, beginning January 1, 1991, persons that locate and operate a qualified airport development project in an airport development zone in a consolidated city shall not incur, notwithstanding any other law, any state income tax liability as a result of:

(1) activities associated with locating the qualified airport development project in the consolidated city;

(2) the construction or completion of the qualified airport development project;

(3) the employment of personnel or the ownership or rental of property at or in conjunction with the qualified airport development project; or

(4) the operation of, or the activities at or in connection with, the qualified airport development project.

(d) The department of state revenue shall adopt rules under IC 4-22-2 to implement this section.

SECTION 150. IC 8-23-9-54 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 54. (a) To provide funds for carrying out the provisions of this chapter, there is created a state highway fund from the following sources:

(1) All money in the general fund to the credit of the state highway account.

(2) All money that is received from the Department of Transportation or other federal agency and known as federal aid.

(3) All money paid into the state treasury to reimburse the state for money paid out of the state highway fund.

(4) All money provided by Indiana law for the construction, maintenance, reconstruction, repair, and control of public highways, as provided under this chapter.

(5) All money that on May 22, 1933, was to be paid into the state highway fund under contemplation of any statute in force as of May 22, 1933.

(6) All money that may at any time be appropriated from the state treasury.

(7) Any part of the state highway fund unexpended at the expiration of any fiscal year, which shall remain in the fund and be available for the succeeding years.

(8) Any money credited to the state highway fund from the motor

vehicle highway account under IC 8-14-1-3(4).

(9) Any money credited to the state highway fund from the highway road and street fund under IC 8-14-2-3.

(10) Any money credited to the state highway fund under **IC 6-6-1.1-801.5,** IC 6-6-4.1-5, or IC 8-16-1-17.1.

(b) All expenses incurred in carrying out this chapter shall be paid out of the state highway fund.

SECTION 151. IC 8-23-17-32 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 32. (a) All amounts paid to displaced persons under this chapter are exempt from taxation under ~~IC 6-2.1 and~~ IC 6-3.

(b) A payment received under this chapter is not considered as income for the purpose of determining the eligibility or extent of eligibility of any person for public assistance under the following:

AFDC assistance.
AFDC burials.
AFDC IMPACT/J.O.B.S.
AFDC-UP assistance.
ARCH.
Blind relief.
Child care.
Child welfare adoption assistance.
Child welfare adoption opportunities.
Child welfare assistance.
Child welfare child care improvement.
Child welfare child abuse.
Child welfare child abuse and neglect prevention.
Child welfare children's victim advocacy program.
Child welfare foster care assistance.
Child welfare independent living.
Child welfare medical assistance to wards.
Child welfare program review action group (PRAG).
Child welfare special needs adoption.
Food Stamp administration.
Health care for indigent (HIC).
ICES.
IMPACT (food stamps).
Title IV-D (ICETS).
Title IV-D child support administration.
Title IV-D child support enforcement (parent locator).
Medicaid assistance.
Medical services for inmates and patients (590).

Room and board assistance (RBA).
Refugee social service.
Refugee resettlement.
Repatriated citizens.
SSI burials and disabled examinations.
Title XIX certification.
Any other Indiana law administered by the division of family and children.

SECTION 152. IC 12-7-2-70 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 70. "Domestic violence prevention and treatment center", for purposes of IC 12-18-3 and IC 12-18-4, means an organized entity:

(1) established by:

(A) a city, town, county, or township; or

(B) an entity exempted from the ~~Indiana~~ gross ~~income~~ **retail** tax under ~~IC 6-2.1-3-20;~~ **IC 6-2.5-5-21(b)(1)(B);** and

(2) created to provide services to prevent and treat domestic violence between spouses or former spouses.

SECTION 153. IC 12-18-4-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 7. A

~~(1)~~ city, town, county, or township or

~~(2)~~ an entity that is exempted from the ~~Indiana~~ gross ~~income~~ **retail** tax under ~~IC 6-2.1-3-20;~~ **IC 6-2.5-5-21(b)(1)(B)**

that desires to receive a grant under this chapter or enter into a contract with the council must apply in the manner prescribed by the rules of the division.

SECTION 154. IC 12-24-1-3, AS AMENDED BY P.L.215-2001, SECTION 64, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: Sec. 3. (a) The director of the division of mental health and addiction has administrative control of and responsibility for the following state institutions:

(1) Central State Hospital.
(2) Evansville State Hospital.
(3) Evansville State Psychiatric Treatment Center for Children.
(4) Larue D. Carter Memorial Hospital.
(5) Logansport State Hospital.
(6) Madison State Hospital.
(7) Richmond State Hospital.
(8) Any other state owned or operated mental health institution.

(b) Subject to the approval of the director of the budget agency and the governor, the director of the division of mental health and addiction may contract for the management and clinical operation of Larue D.

Carter Memorial Hospital.

(c) The following applies only to the institutions described in subsection (a)(2) and (a)(3):

(1) Notwithstanding any other statute or policy, the division of mental health and addiction may not do the following after December 31, 2001, unless specifically authorized by a statute enacted by the general assembly:

(A) Terminate, in whole or in part, normal patient care or other operations at the facility.

(B) Reduce the staffing levels and classifications below those in effect at the facility on January 1, 2002.

(C) Terminate the employment of an employee of the facility except in accordance with IC 4-15-2.

(2) The division of mental health and addiction shall fill a vacancy created by a termination described in subdivision (1)(C) so that the staffing levels at the facility are not reduced below the staffing levels in effect on January 1, 2002.

(3) Notwithstanding any other statute or policy, the division of mental health and addiction may not remove, transfer, or discharge any patient at the facility unless the removal, transfer, or discharge is in the patient's best interest and is approved by:

(A) the patient or the patient's parent or guardian;

(B) the individual's gatekeeper; and

(C) the patient's attending physician.

(d) The Evansville State Psychiatric Treatment Center for Children shall remain independent of Evansville State Hospital and the southwestern Indiana community mental health center, and the Evansville State Psychiatric Treatment Center for Children shall continue to function autonomously unless a change in administration is specifically authorized by an enactment of the general assembly.

SECTION 155. IC 12-24-2-9 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 9. (a) Notwithstanding any other law, an individual shall be admitted to the Evansville State Psychiatric Treatment Center for Children if the decision to admit the individual is approved by:**

(1) the individual's gatekeeper; and

(2) the Evansville State Psychiatric Treatment Center for Children's admission committee, which must consist of at least the following individuals:

(A) The superintendent.

(B) The medical director.

(C) The clinical director.

(D) The director of nursing.

(b) The division of mental health and addiction shall encourage and facilitate the placement of appropriate patients at the Evansville State Psychiatric Treatment Center for Children. A state operated facility must be considered before referring a patient to an out-of-state treatment center. The appropriateness of admission to the Evansville State Psychiatric Treatment Center for Children is determined when both the individual's gatekeeper and the Evansville State Psychiatric Treatment Center for Children's admission committee agree that the individual meets admission criteria and that admission to the Evansville State Psychiatric Treatment Center for Children is the least restrictive treatment option available to meet the individual's psychiatric needs. An administrator of the division of mental health and addiction may not make a determination of the appropriateness of admission to the Evansville State Psychiatric Treatment Center for Children unless the individual's gatekeeper and the admissions committee fail to reach agreement on the appropriateness of the referral. If the gatekeeper and the admissions committee fail to reach an agreement on the appropriateness of the referral, the decision of the division of mental health and addiction is final.

SECTION 156. IC 13-21-12-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. A security issued in connection with a financing under this article, the interest on which is excludable from **adjusted** gross income tax, is exempt from the registration requirements of IC 23.

SECTION 157. IC 14-27-6-41 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 41. (a) All bonds issued under this chapter or under IC 13-2-31 (before its repeal) are the direct general obligations of the authority issuing the bonds and are payable out of unlimited ad valorem taxes that shall be levied and collected on all the taxable property within the district. All officials and bodies involved with the levying of taxes for the district shall ensure that sufficient levies are made to meet the principal and interest on the bonds at the time fixed for payment without regard to any other statute.

(b) The bonds issued under this chapter or under IC 13-2-31 (before its repeal) are exempt from taxation for all purposes. ~~including the gross income tax.~~

SECTION 158. IC 16-22-8-43, AS AMENDED BY P.L.90-2002,

SECTION 395, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 43. (a) The board may issue general obligation bonds of the corporation to procure funds to pay the cost of acquiring real property or constructing, enlarging, improving, remodeling, repairing, or equipping buildings and other structures for use as or in connection with hospitals, clinics, health centers, dispensaries, or for administrative purposes. The issuance of the bonds shall be authorized by ordinance of the board providing for the amount, terms, and tenor of the bonds, for the time and character of notice, and the mode of making the sale. The bonds shall be payable not more than forty (40) years after the date of issuance and shall be executed in the name of the corporation by the chairman of the board and attested by the executive director, who shall affix to each of the bonds the official seal of the corporation. The interest coupons attached to the bonds may be executed by facsimile signature of the chairman of the board.

(b) The executive director shall manage and supervise the preparation, advertisement, and sale of bonds, subject to the provisions of the authorizing ordinance. Before the sale of the bonds, the executive director shall publish notice of the sale in accordance with IC 5-3-1, setting out the time and place where bids will be received, the amount and maturity dates of the issue, the maximum interest rate, and the terms and conditions of sale and delivery of the bonds. The bonds shall be sold to the highest and best bidder. After the bonds have been sold and executed, the executive director shall deliver the bonds to the treasurer of the corporation and take the treasurer's receipt, and shall certify to the treasurer the amount that the purchaser is to pay, together with the name and address of the purchaser. On payment of the purchase price, the treasurer shall deliver the bonds to the purchaser, and the treasurer and executive director shall report the actions to the board.

(c) IC 5-1 and IC 6-1.1-20 apply to the following proceedings:

(1) Notice and filing of the petition requesting the issuance of the bonds.

(2) Notice of determination to issue bonds.

(3) Notice of hearing on the appropriation of the proceeds of the bonds and the right of taxpayers to appeal and be heard.

(4) Approval by the department of local government finance.

(5) The right to remonstrate.

(6) Sale of bonds at public sale for not less than the par value.

(d) The bonds are the direct general obligations of the corporation and are payable out of unlimited ad valorem taxes levied and collected on all the taxable property within the county of the corporation. All

officials and bodies having to do with the levying of taxes for the corporation shall see that sufficient levies are made to meet the principal and interest on the bonds at the time fixed for payment.

(e) The bonds are exempt from taxation for all purposes ~~including the gross income tax~~ but the interest is subject to **adjusted** gross income tax.

SECTION 159. IC 16-42-5-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4. (a) An organization that is exempt from the ~~Indiana~~ **state** gross ~~income~~ **retail** tax under ~~IC 6-2.1-3-20 through IC 6-2.1-3-22~~ **IC 6-2.5-5-21(b)(1)(B), IC 6-2.5-5-21(b)(1)(C), or IC 6-2.5-5-21(b)(1)(D)** and that offers food for sale to the final consumer at an event held for the benefit of the organization is exempt from complying with the requirements of this chapter that may be imposed upon the sale of food at that event if the following conditions are met:

(1) Members of the organization prepare the food that will be sold.

(2) Events conducted by the organization under this section take place for not more than thirty (30) days in a calendar year.

(3) The name of each member who has prepared a food item is attached to the container in which the food item has been placed.

(b) This section does not prohibit an exempted organization from waiving the exemption and applying for a license under this chapter.

SECTION 160. IC 20-14-10-14 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 14. All property owned by a lessor corporation contracting with a public corporation or corporations under this chapter, and all stock and other securities, including the interest or dividends issued by a lessor corporation, are exempt from all state, county, and other taxes, ~~including gross income taxes,~~ ~~but~~ excluding the financial institutions tax and the inheritance taxes. ~~The rental paid to a lessor corporation under the terms of a lease is exempt from gross income tax.~~

SECTION 161. IC 21-5-11-14 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 14. All property owned by a lessor corporation so contracting with such school corporation or corporations under the provisions of this chapter, and all stock and other securities including the interest or dividends thereon issued by a lessor corporation, shall be exempt from all state, county, and other taxes, ~~including the gross income tax,~~ except, however, the financial institutions tax **(IC 6-5.5)** and inheritance taxes ~~The rental paid to a lessor corporation under the terms of such a contract of lease shall be exempt from the gross income tax.~~ **(IC 6-4.1).**

SECTION 162. IC 21-2-11.5-3, AS AMENDED BY P.L.90-2002, SECTION 425, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 3. (a) Subject to subsection (b), each school corporation may levy for the calendar year a property tax for the school transportation fund sufficient to pay all operating costs attributable to transportation that:

(1) are not paid from other revenues available to the fund as specified in section 4 of this chapter; and

(2) are listed in section 2(a)(1) through 2(a)(7) of this chapter.

~~(b) For taxes first due and payable in 1996, the property tax levy for the fund may not exceed the amount determined using the following formula:~~

~~STEP ONE: Determine the sum of the expenditures attributable to operating costs listed in section 2(a)(1) through 2(a)(7) of this chapter that were made by the school corporation as determined by the department of local government finance for all operating costs attributable to transportation that are not paid from other revenues available to the fund for school years ending in 1993, 1994, and 1995.~~

~~STEP TWO: Divide the amount determined in STEP ONE by three (3).~~

~~STEP THREE: Determine the greater of:~~

~~(A) the STEP TWO amount; or~~

~~(B) the school corporation's actual transportation fund levy attributable to operating costs for property taxes first due and payable in 1995.~~

~~STEP FOUR: Multiply the amount determined in STEP THREE by one and five-hundredths (1.05).~~

~~(c)~~ **(b)** For each year after ~~1996,~~ **2002,** the levy for the fund may not exceed the levy for the previous year multiplied by the assessed value growth quotient determined ~~using~~ **under STEP FOUR of** the following formula:

~~STEP ONE: Determine the three (3) calendar years that most immediately precede the ensuing calendar year and in which a statewide general reassessment of real property does not first become effective.~~

~~STEP TWO: Compute separately, for each of the calendar years determined in STEP ONE, the quotient (rounded to the nearest ten-thousandth) of the school corporation's total assessed value of all taxable property in the particular calendar year, divided by the school corporation's total assessed value of all taxable property in the calendar year immediately preceding the particular calendar~~

~~year.~~

~~STEP THREE: Divide the sum of the three (3) quotients computed in STEP TWO by three (3).~~

~~STEP FOUR: Determine the greater of the result computed in STEP THREE or one and five-hundredths (1.05).~~

~~STEP FIVE: Determine the lesser of the result computed in STEP FOUR or one and one-tenth (1.1).~~

~~If the assessed values of taxable property used in determining a school corporation's property taxes that are first due and payable in a particular calendar year are significantly increased over the assessed values used for the immediately preceding calendar year's property taxes due to the settlement of litigation concerning the general reassessment of that school corporation's real property, then for purposes of determining that school corporation's assessed value growth quotient for an ensuing calendar year, the department of local government finance shall replace the quotient described in STEP TWO for that particular calendar year. The department of local government finance shall replace that quotient with one that as accurately as possible will reflect the actual growth in the school corporation's assessed values of real property from the immediately preceding calendar year to that particular calendar year. The maximum property levy limit computed under this section for the school transportation fund shall be reduced to reflect the transfer of costs for operating to the school bus replacement fund under section 2(c) of this chapter. The total reduction in the school transportation fund maximum property tax levy may not exceed the amount of the fair market lease value of the contracted transportation service expenditures paid from the fund before the transfer.~~

STEP ONE: For each of the six (6) calendar years immediately preceding the year in which a budget is adopted under IC 6-1.1-17-5 or IC 6-1.1-17-5.6 for part or all of the ensuing calendar year, divide the Indiana nonfarm personal income for the calendar year by the Indiana nonfarm personal income for the calendar year immediately preceding that calendar year, rounding to the nearest one-thousandth (0.001).

STEP TWO: Determine the sum of the STEP ONE results.

STEP THREE: Divide the STEP TWO result by six (6), rounding to the nearest one-thousandth (0.001).

STEP FOUR: Determine the lesser of the following:

(A) The STEP THREE quotient.

(B) One and six hundredths (1.06).

~~(d)~~ **(c)** Each school corporation may levy for the calendar year a tax for the school bus replacement fund in accordance with the school bus acquisition plan adopted under section 3.1 of this chapter.

~~(e)~~ **(d)** The tax rate and levy for each fund shall be established as a part of the annual budget for the calendar year in accord with IC 6-1.1-17.

SECTION 163. IC 21-2-12-6.1, AS AMENDED BY P.L.3-2000, SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2004]: Sec. 6.1. (a) The county supplemental school financing tax revenues shall be deposited in the county supplemental school distribution fund. In addition, for purposes of allocating distributions of tax revenues collected under ~~IC 6-5-10, IC 6-5-11,~~ IC 6-5.5, IC 6-6-5, IC 6-6-5.5, or IC 6-6-6.5, the county supplemental school financing tax shall be treated as if it were property taxes imposed by a separate taxing unit. Thus, the appropriate portion of those distributions shall be deposited in the county supplemental school distribution fund.

(b) The entitlement of each school corporation from the county supplemental school distribution fund for each calendar year after 2000 shall be the greater of:

(1) the amount of its entitlement for the calendar year 2000 from the tax levied under this chapter; or

(2) an amount equal to twenty-seven dollars and fifty cents ($27.50) times its ADM.

SECTION 164. IC 21-3-1.7-2, AS AMENDED BY P.L.181-1999, SECTION 21, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 2. As used in this chapter, "excise tax revenue" means the amount of:

(1) financial institution excise tax revenue ~~(IC 6-5-10, IC 6-5-11, IC 6-5-12) (or the amount of any distribution by the state to replace these taxes);~~ **(IC 6-5.5);** plus

(2) the motor vehicle excise taxes (IC 6-6-5) and the commercial vehicle excise taxes (IC 6-6-5.5);

the school corporation received for deposit in the school corporation's general fund in a year.

SECTION 165. IC 21-5-11-14 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 14. All property owned by a lessor corporation so contracting with such school corporation or corporations under the provisions of this chapter, and all stock and other securities including the interest or dividends thereon issued by a lessor corporation, shall be exempt from all state, county, and other taxes, ~~including the gross income tax,~~ except, however, the

financial institutions tax **(IC 6-5.5)** and inheritance taxes ~~The rental paid to a lessor corporation under the terms of such a contract of lease shall be exempt from the gross income tax.~~ **(IC 6-4.1).**

SECTION 166. IC 25-37-1-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4. Any transient merchant desiring to transact business in any county in this state shall file application for a license for that purpose with the auditor of the county in this state in which such transient merchant desires to do business. The application shall state the following facts:

(a) The name, residence and post-office address of the person, firm, limited liability company, or corporation making the application, and if a firm, limited liability company, or corporation, the name and address of the members of the firm or limited liability company, or officers of the corporation, as the case may be.

(b) If the applicant is a corporation or limited liability company then there shall be stated on the application form the date of incorporation or organization, the state of incorporation or organization, and if the applicant is a corporation or limited liability company formed in a state other than the state of Indiana, the date on which such corporation or limited liability company qualified to transact business as a foreign corporation or foreign limited liability company in the state of Indiana.

(c) A statement showing the kind of business proposed to be conducted, the length of time for which the applicant desires to transact business, and if for the purpose of transacting such business any permanent or mobile building, structure or real estate is to be used for the exhibition by means of samples, catalogues, photographs and price lists or sale of goods, wares or merchandise, the location of such proposed place of business.

(d) A detailed inventory and description of such goods, wares, and merchandise to be offered for sale or sold, the manner in which the same is to be advertised for sale and the representations to be made in connection therewith, the names of the persons from whom the goods, wares, and merchandise so to be advertised or represented were obtained, the date of receipt of such goods, wares, and merchandise by the applicant for the license, the place from which the same were last taken, and any and all details necessary to locate and identify all goods, wares and merchandise to be sold.

(e) Attached to the application shall be a receipt showing that personal property taxes on the goods, wares and merchandise to be offered for sale or sold have been paid.

(f) Attached to the application shall be a copy of a notice, which ten (10) days before said application has been filed, shall have been mailed

by registered mail by the applicant to the ~~Indiana~~ department of state revenue. ~~of the state of Indiana or such other department as may be charged with the duty of collecting gross income taxes or other taxes of a comparable nature or which may be in lieu of such gross income taxes.~~ The said notice shall state the precise period of time and location from which said applicant intends to transact business, the approximate value of the goods, wares, and merchandise to be offered for sale or sold, and such other information as the ~~Indiana~~ department of state revenue of the state of Indiana or its successor may request or by regulation require.

(g) Said application shall be verified.

SECTION 167. IC 27-6-8-15 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 15. (a) Member insurers, which during any preceding calendar year shall have paid one (1) or more assessments levied pursuant to section 7 of this chapter, shall be allowed a credit against premium taxes, ~~corporate gross income taxes,~~ adjusted gross income taxes, ~~supplemental corporate net income tax,~~ or any combination thereof ~~or similar taxes~~ upon revenue or income of member insurers which may be imposed by the state, up to twenty percent (20%) of the assessment described in section 7 of this chapter for each calendar year following the year the assessment was paid until the aggregate of all assessments paid to the guaranty association shall have been offset by either credits against such taxes or refunds from the association. The provisions herein are applicable to all assessments levied after the passage of this article.

(b) To the extent a member insurer elects not to utilize the tax credits authorized by subsection (a), the member insurer may utilize the provisions of ~~this~~ subsection (c) as a secondary method of recoupment.

(c) The rates and premiums charged for insurance policies to which this chapter applies shall include amounts sufficient to recoup a sum equal to the amounts paid to the association by the member insurer less any amounts returned to the member insurer by the association and the rates shall not be deemed excessive because they contain an amount reasonably calculated to recoup assessments paid by the member insurer.

SECTION 168. IC 27-8-8-16 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 16. Member insurers who, during any preceding calendar year, have paid one (1) or more assessments levied under this chapter may either:

(1) take as a credit against premium taxes, ~~gross income taxes,~~ adjusted gross income taxes, ~~supplemental corporate net income tax,~~ or any combination of them ~~or similar taxes~~ upon revenue or

income of member insurers that may be imposed by Indiana up to twenty percent (20%) of an assessment described in section 6 of this chapter for each calendar year following the year in which those assessments were paid until the aggregate of those assessments have been offset by either credits against those taxes or refunds from the association; or

(2) include in the rates and premiums charged for insurance policies to which this chapter applies amounts sufficient to recoup a sum equal to the amounts paid to the association by the member less any amounts returned to the member insurer by the association and the rates are not excessive by virtue of including an amount reasonably calculated to recoup assessments paid by the member.

SECTION 169. IC 27-8-10-2.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2.1. (a) There is established a nonprofit legal entity to be referred to as the Indiana comprehensive health insurance association, which must assure that health insurance is made available throughout the year to each eligible Indiana resident applying to the association for coverage. All carriers, health maintenance organizations, limited service health maintenance organizations, and self-insurers providing health insurance or health care services in Indiana must be members of the association. The association shall operate under a plan of operation established and approved under subsection (c) and shall exercise its powers through a board of directors established under this section.

(b) The board of directors of the association consists of seven (7) members whose principal residence is in Indiana selected as follows:

(1) Three (3) members to be appointed by the commissioner from the members of the association, one (1) of which must be a representative of a health maintenance organization.

(2) Two (2) members to be appointed by the commissioner shall be consumers representing policyholders.

(3) Two (2) members shall be the state budget director or designee and the commissioner of the department of insurance or designee.

The commissioner shall appoint the chairman of the board, and the board shall elect a secretary from its membership. The term of office of each appointed member is three (3) years, subject to eligibility for reappointment. Members of the board who are not state employees may be reimbursed from the association's funds for expenses incurred in attending meetings. The board shall meet at least semiannually, with the first meeting to be held not later than May 15 of each year.

(c) The association shall submit to the commissioner a plan of operation for the association and any amendments to the plan necessary or suitable to assure the fair, reasonable, and equitable administration of the association. The plan of operation becomes effective upon approval in writing by the commissioner consistent with the date on which the coverage under this chapter must be made available. The commissioner shall, after notice and hearing, approve the plan of operation if the plan is determined to be suitable to assure the fair, reasonable, and equitable administration of the association and provides for the sharing of association losses on an equitable, proportionate basis among the member carriers, health maintenance organizations, limited service health maintenance organizations, and self-insurers. If the association fails to submit a suitable plan of operation within one hundred eighty (180) days after the appointment of the board of directors, or at any time thereafter the association fails to submit suitable amendments to the plan, the commissioner shall adopt rules under IC 4-22-2 necessary or advisable to implement this section. These rules are effective until modified by the commissioner or superseded by a plan submitted by the association and approved by the commissioner. The plan of operation must:

(1) establish procedures for the handling and accounting of assets and money of the association;

(2) establish the amount and method of reimbursing members of the board;

(3) establish regular times and places for meetings of the board of directors;

(4) establish procedures for records to be kept of all financial transactions, and for the annual fiscal reporting to the commissioner;

(5) establish procedures whereby selections for the board of directors will be made and submitted to the commissioner for approval;

(6) contain additional provisions necessary or proper for the execution of the powers and duties of the association; and

(7) establish procedures for the periodic advertising of the general availability of the health insurance coverages from the association.

(d) The plan of operation may provide that any of the powers and duties of the association be delegated to a person who will perform functions similar to those of this association. A delegation under this section takes effect only with the approval of both the board of directors and the commissioner. The commissioner may not approve a

delegation unless the protections afforded to the insured are substantially equivalent to or greater than those provided under this chapter.

(e) The association has the general powers and authority enumerated by this subsection in accordance with the plan of operation approved by the commissioner under subsection (c). The association has the general powers and authority granted under the laws of Indiana to carriers licensed to transact the kinds of health care services or health insurance described in section 1 of this chapter and also has the specific authority to do the following:

(1) Enter into contracts as are necessary or proper to carry out this chapter, subject to the approval of the commissioner.

(2) Sue or be sued, including taking any legal actions necessary or proper for recovery of any assessments for, on behalf of, or against participating carriers.

(3) Take legal action necessary to avoid the payment of improper claims against the association or the coverage provided by or through the association.

(4) Establish a medical review committee to determine the reasonably appropriate level and extent of health care services in each instance.

(5) Establish appropriate rates, scales of rates, rate classifications and rating adjustments, such rates not to be unreasonable in relation to the coverage provided and the reasonable operational expenses of the association.

(6) Pool risks among members.

(7) Issue policies of insurance on an indemnity or provision of service basis providing the coverage required by this chapter.

(8) Administer separate pools, separate accounts, or other plans or arrangements considered appropriate for separate members or groups of members.

(9) Operate and administer any combination of plans, pools, or other mechanisms considered appropriate to best accomplish the fair and equitable operation of the association.

(10) Appoint from among members appropriate legal, actuarial, and other committees as necessary to provide technical assistance in the operation of the association, policy and other contract design, and any other function within the authority of the association.

(11) Hire an independent consultant.

(12) Develop a method of advising applicants of the availability of other coverages outside the association and may promulgate a

list of health conditions the existence of which would deem an applicant eligible without demonstrating a rejection of coverage by one (1) carrier.

(13) Provide for the use of managed care plans for insureds, including the use of:

(A) health maintenance organizations; and

(B) preferred provider plans.

(14) Solicit bids directly from providers for coverage under this chapter.

(f) Rates for coverages issued by the association may not be unreasonable in relation to the benefits provided, the risk experience, and the reasonable expenses of providing the coverage. Separate scales of premium rates based on age apply for individual risks. Premium rates must take into consideration the extra morbidity and administration expenses, if any, for risks insured in the association. The rates for a given classification may not be more than one hundred fifty percent (150%) of the average premium rate for that class charged by the five (5) carriers with the largest premium volume in the state during the preceding calendar year. In determining the average rate of the five (5) largest carriers, the rates charged by the carriers shall be actuarially adjusted to determine the rate that would have been charged for benefits identical to those issued by the association. All rates adopted by the association must be submitted to the commissioner for approval.

(g) Following the close of the association's fiscal year, the association shall determine the net premiums, the expenses of administration, and the incurred losses for the year. Any net loss shall be assessed by the association to all members in proportion to their respective shares of total health insurance premiums, excluding premiums for Medicaid contracts with the state of Indiana, received in Indiana during the calendar year (or with paid losses in the year) coinciding with or ending during the fiscal year of the association or any other equitable basis as may be provided in the plan of operation. For self-insurers, health maintenance organizations, and limited service health maintenance organizations that are members of the association, the proportionate share of losses must be determined through the application of an equitable formula based upon claims paid, excluding claims for Medicaid contracts with the state of Indiana, or the value of services provided. In sharing losses, the association may abate or defer in any part the assessment of a member, if, in the opinion of the board, payment of the assessment would endanger the ability of the member to fulfill its contractual obligations. The association may also provide for interim assessments against members of the association if necessary

to assure the financial capability of the association to meet the incurred or estimated claims expenses or operating expenses of the association until the association's next fiscal year is completed. Net gains, if any, must be held at interest to offset future losses or allocated to reduce future premiums. Assessments must be determined by the board members specified in subsection (b)(1), subject to final approval by the commissioner.

(h) The association shall conduct periodic audits to assure the general accuracy of the financial data submitted to the association, and the association shall have an annual audit of its operations by an independent certified public accountant.

(i) The association is subject to examination by the department of insurance under IC 27-1-3.1. The board of directors shall submit, not later than March 30 of each year, a financial report for the preceding calendar year in a form approved by the commissioner.

(j) All policy forms issued by the association must conform in substance to prototype forms developed by the association, must in all other respects conform to the requirements of this chapter, and must be filed with and approved by the commissioner before their use.

(k) The association may not issue an association policy to any individual who, on the effective date of the coverage applied for, does not meet the eligibility requirements of section 5.1 of this chapter.

(l) The association shall pay an agent's referral fee of twenty-five dollars ($25) to each insurance agent who refers an applicant to the association if that applicant is accepted.

(m) The association and the premium collected by the association shall be exempt from the premium tax, ~~the gross income tax,~~ the adjusted gross income tax, ~~supplemental corporate net income,~~ or any combination of these ~~or similar taxes~~ upon revenues or income that may be imposed by the state.

(n) Members who after July 1, 1983, during any calendar year, have paid one (1) or more assessments levied under this chapter may either:

(1) take a credit against premium taxes, ~~gross income taxes,~~ adjusted gross income taxes, ~~supplemental corporate net income taxes,~~ or any combination of these, or similar taxes upon revenues or income of member insurers that may be imposed by the state, up to the amount of the taxes due for each calendar year in which the assessments were paid and for succeeding years until the aggregate of those assessments have been offset by either credits against those taxes or refunds from the association; or

(2) any member insurer may include in the rates for premiums charged for insurance policies to which this chapter applies

amounts sufficient to recoup a sum equal to the amounts paid to the association by the member less any amounts returned to the member insurer by the association, and the rates shall not be deemed excessive by virtue of including an amount reasonably calculated to recoup assessments paid by the member.

(o) The association shall provide for the option of monthly collection of premiums.

SECTION 170. IC 27-13-18-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2. (a) If for any reason the plan of the health maintenance organization under IC 27-13-16 does not provide for continuation of benefits as required by IC 27-13-16-1, the liquidator shall assess, or cause to be assessed, each licensed health maintenance organization doing business in Indiana. The amount that each licensed health maintenance organization is assessed must be based on the ratio of the amount of all subscriber premiums received by the health maintenance organization for contracts issued in Indiana for the previous calendar year to the amount of the total subscriber premiums received by all licensed health maintenance organizations for contracts issued in Indiana for the previous calendar year.

(b) The total assessments of health maintenance organizations under subsection (a) must equal an amount sufficient to provide for continuation of benefits as required by IC 27-13-16-1 to enrollees covered under contracts issued by the health maintenance organization to subscribers located in Indiana, and to pay administrative expenses.

(c) The total amount of all assessments to be paid by a health maintenance organization in any one (1) calendar year may not exceed one percent (1%) of the premiums received by the health maintenance organization from business in Indiana during the calendar year preceding the assessment.

(d) If the total amount of all assessments in any one (1) calendar year does not provide an amount sufficient to meet the requirements of subsection (a), additional funds must be assessed in succeeding calendar years.

(e) Health maintenance organizations that, during any preceding calendar year, have paid one (1) or more assessments levied under this section may either:

(1) take as a credit against ~~gross income taxes,~~ adjusted gross income taxes ~~supplemental corporate net income taxes, or any combination of these,~~ or similar taxes upon revenue or income of health maintenance organizations that may be imposed by Indiana up to twenty percent (20%) of any assessment described in this

section for each calendar year following the year in which those assessments were paid until the aggregate of those assessments have been offset; or

(2) include in the premiums charged for coverage to which this article applies amounts sufficient to recoup a sum equal to the amounts paid in assessments as long as the premiums are not excessive by virtue of including an amount reasonably calculated to recoup assessments paid by the health maintenance organization.

SECTION 171. IC 29-3-3-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. Except as otherwise determined in a dissolution of marriage proceeding, a custody proceeding, or in some other proceeding authorized by law, including a proceeding under section 6 of this chapter or another proceeding under this article, and unless a minor is married, the parents of the minor jointly (or the survivor if one (1) parent is deceased), if not an incapacitated person, have, without the appointment of a guardian, giving of bond, or order or confirmation of court, the right to custody of the person of the minor and the power to execute the following on behalf of the minor:

(1) Consent to the application of subsection (c) of Section 2032A of the Internal Revenue Code, which imposes personal liability for payment of the tax under that Section.

(2) Consent to the application of Section 6324A of the Internal Revenue Code, which attaches a lien to property to secure payment of taxes deferred under Section 6166 of the Internal Revenue Code.

(3) Any other consents, waivers, or powers of attorney provided for under the Internal Revenue Code.

(4) Waivers of notice permissible with reference to proceedings under IC 29-1.

(5) Consents, waivers of notice, or powers of attorney under any statute, including the Indiana inheritance tax law (IC 6-4.1) ~~the Indiana gross income tax law (IC 6-2.1),~~ and the Indiana adjusted gross income tax law (IC 6-3).

(6) Consent to unsupervised administration as provided in IC 29-1-7.5.

(7) Federal and state income tax returns.

(8) Consent to medical or other professional care, treatment, or advice for the minor's health and welfare.

SECTION 172. IC 32-25-4-4, AS ADDED BY P.L.2-2002, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE

JANUARY 1, 2003]: Sec. 4. (a) Except as provided in subsection (d) or (e), the co-owners are bound to contribute pro rata, in the percentages computed under section 3 of this chapter, toward:

(1) the expenses of administration and of maintenance and repair of the general common areas and facilities and, in the proper case, of the limited common areas and facilities of the building; and

(2) any other expense lawfully agreed upon.

(b) A co-owner may not exempt the co-owner from contributing toward the expenses referred to in subsection (a) by:

(1) waiver of the use or enjoyment of the common areas and facilities; or

(2) abandonment of the condominium unit belonging to the co-owner.

(c) All sums assessed by the association of co-owners shall be established by using generally accepted accounting principles applied on a consistent basis and shall include the establishment and maintenance of a replacement reserve fund. The replacement reserve fund may be used for capital expenditures and replacement and repair of the common areas and facilities and may not be used for usual and ordinary repair expenses of the common areas and facilities. The fund shall be:

(1) maintained in a separate interest bearing account with a bank or savings association authorized to conduct business in the county in which the condominium is established; or

(2) invested in the same manner and in the same types of investments in which the funds of a political subdivision may be invested:

(A) under IC 5-13-9; or

(B) as otherwise provided by law.

Assessments collected for contributions to the fund are not subject to ~~gross income tax or~~ adjusted gross income tax.

(d) If permitted by the declaration, the declarant or a developer (or a successor in interest of either) that is a co-owner of unoccupied condominium units offered for the first time for sale is excused from contributing toward the expenses referred to in subsection (a) for those units for a period that:

(1) is stated in the declaration;

(2) begins on the day that the declaration is recorded; and

(3) terminates no later than the first day of the twenty-fourth calendar month following the month in which the closing of the sale of the first condominium unit occurs.

However, if the expenses referred to in subsection (a) incurred by the

declarant, developer, or successor during the period referred to in this subsection exceed the amount assessed against the other co-owners, the declarant, developer, or successor shall pay the amount by which the expenses incurred by the declarant, developer, or successor exceed the expenses assessed against the other co-owners.

(e) If the declaration does not contain the provisions referred to in subsection (d), the declarant or a developer (or a successor in interest of either) that is a co-owner of unoccupied condominium units offered for the first time for sale is excused from contributing toward the expenses referred to in subsection (a) for those units for a stated period if the declarant, developer, or successor:

(1) has guaranteed to each purchaser in the purchase contract, the declaration, or the prospectus, or by an agreement with a majority of the other co-owners that the assessment for those expenses will not increase over a stated amount during the stated period; and

(2) has obligated itself to pay the amount by which those expenses incurred during the stated period exceed the assessments at the guaranteed level under subdivision (1) receivable during the stated period from the other co-owners.

SECTION 173. IC 34-6-2-20 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 20. "Charitable entity", for purposes of IC 34-30-5, means any entity exempted from ~~the Indiana~~ **state** gross ~~income~~ **retail** tax under ~~IC 6-2.1-3-20.~~ **IC 6-2.5-5-21(b)(1)(B).**

SECTION 174. IC 36-7-13-3.8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3.8. As used in this chapter, "state and local income taxes" means taxes imposed under any of the following:

~~(1) IC 6-2.1 (the gross income tax).~~

~~(2)~~ **(1)** IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax).

~~(3) IC 6-3-8 (the supplemental net income tax).~~

~~(4)~~ **(2)** IC 6-3.5-1.1 (county adjusted gross income tax).

~~(5)~~ **(3)** IC 6-3.5-6 (county option income tax).

~~(6)~~ **(4)** IC 6-3.5-7 (county economic development income tax).

SECTION 175. IC 36-7-13-15, AS AMENDED BY P.L.174-2001, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 15. (a) If an advisory commission on industrial development designates a district under this chapter or the legislative body of a county or municipality adopts an ordinance designating a district under section 10.5 of this chapter, the treasurer of state shall establish an incremental tax financing fund for the county. The fund shall be administered by the treasurer of state. Money in the

fund does not revert to the state general fund at the end of a state fiscal year.

(b) Subject to subsection (c), the following amounts shall be deposited during each state fiscal year in the incremental tax financing fund established for the county under subsection (a):

(1) The aggregate amount of state gross retail and use taxes that are remitted under IC 6-2.5 by businesses operating in the district, until the amount of state gross retail and use taxes deposited equals the gross retail incremental amount for the district.

(2) The aggregate amount of state and local income taxes paid by employees employed in the district with respect to wages earned for work in the district, until the amount of state and local income taxes deposited equals the income tax incremental amount.

(c) The aggregate amount of revenues that is:

(1) attributable to:

(A) the state gross retail and use taxes established under IC 6-2.5; **and**

~~(B) the gross income tax established under IC 6-2.1;~~

~~(C)~~ **(B)** the adjusted gross income tax established under IC 6-3-1 through IC 6-3-7; and

~~(D) the supplemental net income tax established under IC 6-3-8; and~~

(2) deposited during any state fiscal year in each incremental tax financing fund established for a county;

may not exceed one million dollars ($1,000,000) per county.

(d) On or before the twentieth day of each month, all amounts held in the incremental tax financing fund established for a county shall be distributed to the district's advisory commission on industrial development for deposit in the industrial development fund of the unit that requested designation of the district.

SECTION 176. IC 36-7-14-37 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 37. (a) Real property acquired by the redevelopment district is exempt from taxation while owned by the district.

(b) All receipts of the department of redevelopment, including receipts from the sale of real property, personal property, and materials disposed of, are exempt from all taxes. ~~including the gross income tax.~~

(c) All other property of the department of redevelopment is exempt from taxation.

SECTION 177. IC 36-7-14-39, AS AMENDED BY P.L.90-2002, SECTION 476, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 39. (a) As used in this section:

"Allocation area" means that part of a blighted area to which an allocation provision of a declaratory resolution adopted under section 15 of this chapter refers for purposes of distribution and allocation of property taxes.

"Base assessed value" means the following:

(1) If an allocation provision is adopted after June 30, 1995, in a declaratory resolution or an amendment to a declaratory resolution establishing an economic development area:

(A) the net assessed value of all the property as finally determined for the assessment date immediately preceding the effective date of the allocation provision of the declaratory resolution, as adjusted under subsection (h); plus

(B) to the extent that it is not included in clause (A), the net assessed value of property that is assessed as residential property under the rules of the department of local government finance, as finally determined for any assessment date after the effective date of the allocation provision.

(2) If an allocation provision is adopted after June 30, 1997, in a declaratory resolution or an amendment to a declaratory resolution establishing a blighted area:

(A) the net assessed value of all the property as finally determined for the assessment date immediately preceding the effective date of the allocation provision of the declaratory resolution, as adjusted under subsection (h); plus

(B) to the extent that it is not included in clause (A), the net assessed value of property that is assessed as residential property under the rules of the department of local government finance, as finally determined for any assessment date after the effective date of the allocation provision.

(3) If:

(A) an allocation provision adopted before June 30, 1995, in a declaratory resolution or an amendment to a declaratory resolution establishing a blighted area expires after June 30, 1997; and

(B) after June 30, 1997, a new allocation provision is included in an amendment to the declaratory resolution;

the net assessed value of all the property as finally determined for the assessment date immediately preceding the effective date of the allocation provision adopted after June 30, 1997, as adjusted under subsection (h).

(4) Except as provided in subdivision (5), for all other allocation areas, the net assessed value of all the property as finally

determined for the assessment date immediately preceding the effective date of the allocation provision of the declaratory resolution, as adjusted under subsection (h).

(5) If an allocation area established in an economic development area before July 1, 1995, is expanded after June 30, 1995, the definition in subdivision (1) applies to the expanded portion of the area added after June 30, 1995.

(6) If an allocation area established in a blighted area before July 1, 1997, is expanded after June 30, 1997, the definition in subdivision (2) applies to the expanded portion of the area added after June 30, 1997.

Except as provided in section 39.3 of this chapter, "property taxes" means taxes imposed under IC 6-1.1 on real property. However, upon approval by a resolution of the redevelopment commission adopted before June 1, 1987, "property taxes" also includes taxes imposed under IC 6-1.1 on depreciable personal property. If a redevelopment commission adopted before June 1, 1987, a resolution to include within the definition of property taxes taxes imposed under IC 6-1.1 on depreciable personal property that has a useful life in excess of eight (8) years, the commission may by resolution determine the percentage of taxes imposed under IC 6-1.1 on all depreciable personal property that will be included within the definition of property taxes. However, the percentage included must not exceed twenty-five percent (25%) of the taxes imposed under IC 6-1.1 on all depreciable personal property.

(b) A declaratory resolution adopted under section 15 of this chapter before January 1, 2006, may include a provision with respect to the allocation and distribution of property taxes for the purposes and in the manner provided in this section. A declaratory resolution previously adopted may include an allocation provision by the amendment of that declaratory resolution before January 1, 2006, in accordance with the procedures required for its original adoption. A declaratory resolution or an amendment that establishes an allocation provision after June 30, 1995, must specify an expiration date for the allocation provision that may not be more than thirty (30) years after the date on which the allocation provision is established. However, if bonds or other obligations that were scheduled when issued to mature before the specified expiration date and that are payable only from allocated tax proceeds with respect to the allocation area remain outstanding as of the expiration date, the allocation provision does not expire until all of the bonds or other obligations are no longer outstanding. The allocation provision may apply to all or part of the blighted area. The allocation provision must require that any property taxes subsequently levied by

or for the benefit of any public body entitled to a distribution of property taxes on taxable property in the allocation area be allocated and distributed as follows:

(1) Except as otherwise provided in this section, the proceeds of the taxes attributable to the lesser of:

(A) the assessed value of the property for the assessment date with respect to which the allocation and distribution is made; or

(B) the base assessed value;

shall be allocated to and, when collected, paid into the funds of the respective taxing units.

(2) Except as otherwise provided in this section, property tax proceeds in excess of those described in subdivision (1) shall be allocated to the redevelopment district and, when collected, paid into an allocation fund for that allocation area that may be used by the redevelopment district only to do one (1) or more of the following:

(A) Pay the principal of and interest on any obligations payable solely from allocated tax proceeds which are incurred by the redevelopment district for the purpose of financing or refinancing the redevelopment of that allocation area.

(B) Establish, augment, or restore the debt service reserve for bonds payable solely or in part from allocated tax proceeds in that allocation area.

(C) Pay the principal of and interest on bonds payable from allocated tax proceeds in that allocation area and from the special tax levied under section 27 of this chapter.

(D) Pay the principal of and interest on bonds issued by the unit to pay for local public improvements in or serving that allocation area.

(E) Pay premiums on the redemption before maturity of bonds payable solely or in part from allocated tax proceeds in that allocation area.

(F) Make payments on leases payable from allocated tax proceeds in that allocation area under section 25.2 of this chapter.

(G) Reimburse the unit for expenditures made by it for local public improvements (which include buildings, parking facilities, and other items described in section 25.1(a) of this chapter) in or serving that allocation area.

(H) Reimburse the unit for rentals paid by it for a building or parking facility in or serving that allocation area under any

lease entered into under IC 36-1-10.

(I) Pay all or a portion of a property tax replacement credit to taxpayers in an allocation area as determined by the redevelopment commission. This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district (as defined in IC 6-1.1-1-20) that contains all or part of the allocation area:

STEP ONE: Determine that part of the sum of the amounts under IC 6-1.1-21-2(g)(1)(A), IC 6-1.1-21-2(g)(2), IC 6-1.1-21-2(g)(3), IC 6-1.1-21-2(g)(4), and IC 6-1.1-21-2(g)(5) that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part ~~of twenty percent (20%)~~ of each county's ~~total county tax levy payable~~ **eligible property tax replacement amount (as defined in IC 6-1.1-21-2) for** that year as determined under IC 6-1.1-21-4 that is attributable to the taxing district; by

(B) the STEP ONE sum.

STEP THREE: Multiply:

(A) the STEP TWO quotient; times

(B) the total amount of the taxpayer's ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** levied in the taxing district that have been allocated during that year to an allocation fund under this section.

If not all the taxpayers in an allocation area receive the credit in full, each taxpayer in the allocation area is entitled to receive the same proportion of the credit. A taxpayer may not receive a credit under this section and a credit under section 39.5 of this chapter in the same year.

(J) Pay expenses incurred by the redevelopment commission for local public improvements that are in the allocation area or serving the allocation area. Public improvements include buildings, parking facilities, and other items described in section 25.1(a) of this chapter.

(K) Reimburse public and private entities for expenses incurred in training employees of industrial facilities that are located:

(i) in the allocation area; and

(ii) on a parcel of real property that has been classified as industrial property under the rules of the department of local government finance.

However, the total amount of money spent for this purpose in

any year may not exceed the total amount of money in the allocation fund that is attributable to property taxes paid by the industrial facilities described in this clause. The reimbursements under this clause must be made within three (3) years after the date on which the investments that are the basis for the increment financing are made.

The allocation fund may not be used for operating expenses of the commission.

(3) Except as provided in subsection (g), before July 15 of each year the commission shall do the following:

(A) Determine the amount, if any, by which the base assessed value when multiplied by the estimated tax rate of the allocation area will exceed the amount of assessed value needed to produce the property taxes necessary to make, when due, principal and interest payments on bonds described in subdivision (2) plus the amount necessary for other purposes described in subdivision (2).

(B) Notify the county auditor of the amount, if any, of the amount of excess assessed value that the commission has determined may be allocated to the respective taxing units in the manner prescribed in subdivision (1). The commission may not authorize an allocation of assessed value to the respective taxing units under this subdivision if to do so would endanger the interests of the holders of bonds described in subdivision (2) or lessors under section 25.3 of this chapter.

(c) For the purpose of allocating taxes levied by or for any taxing unit or units, the assessed value of taxable property in a territory in the allocation area that is annexed by any taxing unit after the effective date of the allocation provision of the declaratory resolution is the lesser of:

(1) the assessed value of the property for the assessment date with respect to which the allocation and distribution is made; or

(2) the base assessed value.

(d) Property tax proceeds allocable to the redevelopment district under subsection (b)(2) may, subject to subsection (b)(3), be irrevocably pledged by the redevelopment district for payment as set forth in subsection (b)(2).

(e) Notwithstanding any other law, each assessor shall, upon petition of the redevelopment commission, reassess the taxable property situated upon or in, or added to, the allocation area, effective on the next assessment date after the petition.

(f) Notwithstanding any other law, the assessed value of all taxable

property in the allocation area, for purposes of tax limitation, property tax replacement, and formulation of the budget, tax rate, and tax levy for each political subdivision in which the property is located is the lesser of:

(1) the assessed value of the property as valued without regard to this section; or

(2) the base assessed value.

(g) If any part of the allocation area is located in an enterprise zone created under IC 4-4-6.1, the unit that designated the allocation area shall create funds as specified in this subsection. A unit that has obligations, bonds, or leases payable from allocated tax proceeds under subsection (b)(2) shall establish an allocation fund for the purposes specified in subsection (b)(2) and a special zone fund. Such a unit shall, until the end of the enterprise zone phase out period, deposit each year in the special zone fund any amount in the allocation fund derived from property tax proceeds in excess of those described in subsection (b)(1) from property located in the enterprise zone that exceeds the amount sufficient for the purposes specified in subsection (b)(2) for the year. The amount sufficient for purposes specified in subsection (b)(2) for the year shall be determined based on the pro rata portion of such current property tax proceeds from the portion of the enterprise zone that is within the allocation area as compared to all such current property tax proceeds derived from the allocation area. A unit that has no obligations, bonds, or leases payable from allocated tax proceeds under subsection (b)(2) shall establish a special zone fund and deposit all the property tax proceeds in excess of those described in subsection (b)(1) in the fund derived from property tax proceeds in excess of those described in subsection (b)(1) from property located in the enterprise zone. The unit that creates the special zone fund shall use the fund (based on the recommendations of the urban enterprise association) for programs in job training, job enrichment, and basic skill development that are designed to benefit residents and employers in the enterprise zone or other purposes specified in subsection (b)(2), except that where reference is made in subsection (b)(2) to allocation area it shall refer for purposes of payments from the special zone fund only to that portion of the allocation area that is also located in the enterprise zone. Those programs shall reserve at least one-half (1/2) of their enrollment in any session for residents of the enterprise zone.

(h) The state board of accounts and department of local government finance shall make the rules and prescribe the forms and procedures that they consider expedient for the implementation of this chapter. After each general reassessment under IC 6-1.1-4, the department of

local government finance shall adjust the base assessed value one (1) time to neutralize any effect of the general reassessment on the property tax proceeds allocated to the redevelopment district under this section. However, the adjustment may not include the effect of property tax abatements under IC 6-1.1-12.1, and the adjustment may not produce less property tax proceeds allocable to the redevelopment district under subsection (b)(2) than would otherwise have been received if the general reassessment had not occurred. The department of local government finance may prescribe procedures for county and township officials to follow to assist the department in making the adjustments.

SECTION 178. IC 36-7-14-39.5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 39.5. (a) As used in this section, "allocation area" has the meaning set forth in section 39 of this chapter.

(b) As used in this section, "taxing district" has the meaning set forth in IC 6-1.1-1-20.

(c) Subject to subsection (e), each taxpayer in an allocation area is entitled to an additional credit for ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** that under IC 6-1.1-22-9 are due and payable in May and November of that year. One-half (1/2) of the credit shall be applied to each installment of ~~property~~ taxes **(as defined in IC 6-1.1-21-2).** This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district that contains all or part of the allocation area:

STEP ONE: Determine that part of the sum of the amounts under IC 6-1.1-21-2(g)(1)(A), IC 6-1.1-21-2(g)(2), IC 6-1.1-21-2(g)(3), IC 6-1.1-21-2(g)(4), and IC 6-1.1-21-2(g)(5) that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part ~~of twenty percent (20%)~~ of each county's ~~total county tax levy payable~~ **eligible property tax replacement amount (as defined in IC 6-1.1-21-2) for** that year as determined under IC 6-1.1-21-4 that is attributable to the taxing district; by

(B) the STEP ONE sum.

STEP THREE: Multiply:

(A) the STEP TWO quotient; times

(B) the total amount of the taxpayer's ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** levied in the taxing district that would have been allocated to an allocation fund under section 39 of this chapter had the additional credit described in this

section not been given.

The additional credit reduces the amount of proceeds allocated to the redevelopment district and paid into an allocation fund under section 39(b)(2) of this chapter.

(d) If the additional credit under subsection (c) is not reduced under subsection (e) or (f), the credit for property tax replacement under IC 6-1.1-21-5 and the additional credit under subsection (c) shall be computed on an aggregate basis for all taxpayers in a taxing district that contains all or part of an allocation area. The credit for property tax replacement under IC 6-1.1-21-5 and the additional credit under subsection (c) shall be combined on the tax statements sent to each taxpayer.

(e) Upon the recommendation of the redevelopment commission, the municipal legislative body (in the case of a redevelopment commission established by a municipality) or the county executive (in the case of a redevelopment commission established by a county) may, by resolution, provide that the additional credit described in subsection (c):

(1) does not apply in a specified allocation area; or

(2) is to be reduced by a uniform percentage for all taxpayers in a specified allocation area.

(f) Whenever the municipal legislative body or county executive determines that granting the full additional credit under subsection (c) would adversely affect the interests of the holders of bonds or other contractual obligations that are payable from allocated tax proceeds in that allocation area in a way that would create a reasonable expectation that those bonds or other contractual obligations would not be paid when due, the municipal legislative body or county executive must adopt a resolution under subsection (e) to deny the additional credit or reduce it to a level that creates a reasonable expectation that the bonds or other obligations will be paid when due. A resolution adopted under subsection (e) denies or reduces the additional credit for property taxes first due and payable in the allocation area in any year following the year in which the resolution is adopted.

(g) A resolution adopted under subsection (e) remains in effect until it is rescinded by the body that originally adopted it. However, a resolution may not be rescinded if the rescission would adversely affect the interests of the holders of bonds or other obligations that are payable from allocated tax proceeds in that allocation area in a way that would create a reasonable expectation that the principal of or interest on the bonds or other obligations would not be paid when due. If a resolution is rescinded and no other resolution is adopted, the

additional credit described in subsection (c) applies to property taxes first due and payable in the allocation area in each year following the year in which the resolution is rescinded.

SECTION 179. IC 36-7-14.5-12.5, AS AMENDED BY P.L.90-2002, SECTION 477, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 12.5. (a) This section applies only to an authority in a county having a United States government military base that is scheduled for closing or is completely or partially inactive or closed.

(b) In order to accomplish the purposes set forth in section 11(b) of this chapter, an authority may create an economic development area:

(1) by following the procedures set forth in IC 36-7-14-41 for the establishment of an economic development area by a redevelopment commission; and

(2) with the same effect as if the economic development area was created by a redevelopment commission.

However, an authority may not include in an economic development area created under this section any area that was declared a blighted area, an urban renewal area, or an economic development area under IC 36-7-14.

(c) In order to accomplish the purposes set forth in section 11(b) of this chapter, an authority may do the following in a manner that serves an economic development area created under this section:

(1) Acquire by purchase, exchange, gift, grant, condemnation, or lease, or any combination of methods, any personal property or interest in real property needed for the redevelopment of economic development areas located within the corporate boundaries of the unit.

(2) Hold, use, sell (by conveyance by deed, land sale contract, or other instrument), exchange, lease, rent, or otherwise dispose of property acquired for use in the redevelopment of economic development areas on the terms and conditions that the authority considers best for the unit and the unit's inhabitants.

(3) Sell, lease, or grant interests in all or part of the real property acquired for redevelopment purposes to any other department of the unit or to any other governmental agency for public ways, levees, sewerage, parks, playgrounds, schools, and other public purposes on any terms that may be agreed on.

(4) Clear real property acquired for redevelopment purposes.

(5) Repair and maintain structures acquired for redevelopment purposes.

(6) Remodel, rebuild, enlarge, or make major structural

improvements on structures acquired for redevelopment purposes.

(7) Survey or examine any land to determine whether the land should be included within an economic development area to be acquired for redevelopment purposes and to determine the value of that land.

(8) Appear before any other department or agency of the unit, or before any other governmental agency in respect to any matter affecting:

(A) real property acquired or being acquired for redevelopment purposes; or

(B) any economic development area within the jurisdiction of the authority.

(9) Institute or defend in the name of the unit any civil action, but all actions against the authority must be brought in the circuit or superior court of the county where the authority is located.

(10) Use any legal or equitable remedy that is necessary or considered proper to protect and enforce the rights of and perform the duties of the authority.

(11) Exercise the power of eminent domain in the name of and within the corporate boundaries of the unit subject to the same conditions and procedures that apply to the exercise of the power of eminent domain by a redevelopment commission under IC 36-7-14.

(12) Appoint an executive director, appraisers, real estate experts, engineers, architects, surveyors, and attorneys.

(13) Appoint clerks, guards, laborers, and other employees the authority considers advisable, except that those appointments must be made in accordance with the merit system of the unit if such a system exists.

(14) Prescribe the duties and regulate the compensation of employees of the authority.

(15) Provide a pension and retirement system for employees of the authority by using the public employees' retirement fund or a retirement plan approved by the United States Department of Housing and Urban Development.

(16) Discharge and appoint successors to employees of the authority subject to subdivision (13).

(17) Rent offices for use of the department or authority, or accept the use of offices furnished by the unit.

(18) Equip the offices of the authority with the necessary furniture, furnishings, equipment, records, and supplies.

(19) Design, order, contract for, and construct, reconstruct,

improve, or renovate the following:

(A) Any local public improvement or structure that is necessary for redevelopment purposes or economic development within the corporate boundaries of the unit.

(B) Any structure that enhances development or economic development.

(20) Contract for the construction, extension, or improvement of pedestrian skyways (as defined in IC 36-7-14-12.2(c)).

(21) Accept loans, grants, and other forms of financial assistance from, or contract with, the federal government, the state government, a municipal corporation, a special taxing district, a foundation, or any other source.

(22) Make and enter into all contracts and agreements necessary or incidental to the performance of the duties of the authority and the execution of the powers of the authority under this chapter.

(23) Take any action necessary to implement the purpose of the authority.

(24) Provide financial assistance, in the manner that best serves the purposes set forth in section 11(b) of this chapter, including grants and loans, to enable private enterprise to develop, redevelop, and reuse military base property or otherwise enable private enterprise to provide social and economic benefits to the citizens of the unit.

(d) An authority may designate all or a portion of an economic development area created under this section as an allocation area by following the procedures set forth in IC 36-7-14-39 for the establishment of an allocation area by a redevelopment commission. The allocation provision may modify the definition of "property taxes" under IC 36-7-14-39(a) to include taxes imposed under IC 6-1.1 on the depreciable personal property located and taxable on the site of operations of designated taxpayers in accordance with the procedures applicable to a commission under IC 36-7-14-39.3. IC 36-7-14-39.3 applies to such a modification. An allocation area established by an authority under this section is a special taxing district authorized by the general assembly to enable the unit to provide special benefits to taxpayers in the allocation area by promoting economic development that is of public use and benefit. For allocation areas established for an economic development area created under this section after June 30, 1997, and to the expanded portion of an allocation area for an economic development area that was established before June 30, 1997, and that is expanded under this section after June 30, 1997, the net assessed value of property that is assessed as residential property under

the rules of the department of local government finance, as finally determined for any assessment date, must be allocated. All of the provisions of IC 36-7-14-39, IC 36-7-14-39.1, and IC 36-7-14-39.5 apply to an allocation area created under this section, except that the authority shall be vested with the rights and duties of a commission as referenced in those sections, and except that, notwithstanding IC 36-7-14-39(b)(2), property tax proceeds paid into the allocation fund may be used by the authority only to do one (1) or more of the following:

(1) Pay the principal of and interest and redemption premium on any obligations incurred by the special taxing district or any other entity for the purpose of financing or refinancing military base reuse activities in or serving or benefitting that allocation area.

(2) Establish, augment, or restore the debt service reserve for obligations payable solely or in part from allocated tax proceeds in that allocation area or from other revenues of the authority (including lease rental revenues).

(3) Make payments on leases payable solely or in part from allocated tax proceeds in that allocation area.

(4) Reimburse any other governmental body for expenditures made by it for local public improvements or structures in or serving or benefitting that allocation area.

(5) Pay all or a portion of a property tax replacement credit to taxpayers in an allocation area as determined by the authority. This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district (as defined in IC 6-1.1-1-20) that contains all or part of the allocation area:

STEP ONE: Determine that part of the sum of the amounts under IC 6-1.1-21-2(g)(1)(A), IC 6-1.1-21-2(g)(2), IC 6-1.1-21-2(g)(3), IC 6-1.1-21-2(g)(4), and IC 6-1.1-21-2(g)(5) that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part ~~of the twenty percent (20%)~~ of each county's ~~total county tax levy payable~~ **eligible property tax replacement amount (as defined in IC 6-1.1-21-2) for** that year as determined under IC 6-1.1-21-4 that is attributable to the taxing district; by

(B) the STEP ONE sum.

STEP THREE: Multiply:

(A) the STEP TWO quotient; by

(B) the total amount of the taxpayer's ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** levied in the taxing district that

have been allocated during that year to an allocation fund under this section.

If not all the taxpayers in an allocation area receive the credit in full, each taxpayer in the allocation area is entitled to receive the same proportion of the credit. A taxpayer may not receive a credit under this section and a credit under IC 36-7-14-39.5 in the same year.

(6) Pay expenses incurred by the authority for local public improvements or structures that are in the allocation area or serving or benefiting the allocation area.

(7) Reimburse public and private entities for expenses incurred in training employees of industrial facilities that are located:

(A) in the allocation area; and

(B) on a parcel of real property that has been classified as industrial property under the rules of the department of local government finance.

However, the total amount of money spent for this purpose in any year may not exceed the total amount of money in the allocation fund that is attributable to property taxes paid by the industrial facilities described in clause (B). The reimbursements under this subdivision must be made within three (3) years after the date on which the investments that are the basis for the increment financing are made. The allocation fund may not be used for operating expenses of the authority.

(e) In addition to other methods of raising money for property acquisition, redevelopment, or economic development activities in or directly serving or benefitting an economic development area created by an authority under this section, and in anticipation of the taxes allocated under subsection (d), other revenues of the authority, or any combination of these sources, the authority may, by resolution, issue the bonds of the special taxing district in the name of the unit. Bonds issued under this section may be issued in any amount without limitation. The following apply if such a resolution is adopted:

(1) The authority shall certify a copy of the resolution authorizing the bonds to the municipal or county fiscal officer, who shall then prepare the bonds. The seal of the unit must be impressed on the bonds, or a facsimile of the seal must be printed on the bonds.

(2) The bonds must be executed by the appropriate officer of the unit and attested by the unit's fiscal officer.

(3) The bonds are exempt from taxation for all purposes.

(4) Bonds issued under this section may be sold at public sale in accordance with IC 5-1-11 or at a negotiated sale.

(5) The bonds are not a corporate obligation of the unit but are an indebtedness of the taxing district. The bonds and interest are payable, as set forth in the bond resolution of the authority:

(A) from the tax proceeds allocated under subsection (d);

(B) from other revenues available to the authority; or

(C) from a combination of the methods stated in clauses (A) and (B).

(6) Proceeds from the sale of bonds may be used to pay the cost of interest on the bonds for a period not to exceed five (5) years from the date of issuance.

(7) Laws relating to the filing of petitions requesting the issuance of bonds and the right of taxpayers to remonstrate against the issuance of bonds do not apply to bonds issued under this section.

(8) If a debt service reserve is created from the proceeds of bonds, the debt service reserve may be used to pay principal and interest on the bonds as provided in the bond resolution.

(9) If bonds are issued under this chapter that are payable solely or in part from revenues to the authority from a project or projects, the authority may adopt a resolution or trust indenture or enter into covenants as is customary in the issuance of revenue bonds. The resolution or trust indenture may pledge or assign the revenues from the project or projects. The resolution or trust indenture may also contain any provisions for protecting and enforcing the rights and remedies of the bond owners as may be reasonable and proper and not in violation of law, including covenants setting forth the duties of the authority. The authority may establish fees and charges for the use of any project and covenant with the owners of any bonds to set those fees and charges at a rate sufficient to protect the interest of the owners of the bonds. Any revenue bonds issued by the authority that are payable solely from revenues of the authority shall contain a statement to that effect in the form of bond.

(f) Notwithstanding section 8(a) of this chapter, an ordinance adopted under section 11(b) of this chapter may provide, or be amended to provide, that the board of directors of the authority shall be composed of not fewer than three (3) nor more than seven (7) members, who must be residents of the unit appointed by the executive of the unit.

(g) The acquisition of real and personal property by an authority under this section is not subject to the provisions of IC 5-22, IC 36-1-10.5, IC 36-7-14-19, or any other statutes governing the purchase of property by public bodies or their agencies.

(h) An authority may negotiate for the sale, lease, or other disposition of real and personal property without complying with the provisions of IC 5-22-22, IC 36-1-11, IC 36-7-14-22, or any other statute governing the disposition of public property.

(i) Notwithstanding any other law, utility services provided within an economic development area established under this section are subject to regulation by the appropriate regulatory agencies unless the utility service is provided by a utility that provides utility service solely within the geographic boundaries of an existing or a closed military installation, in which case the utility service is not subject to regulation for purposes of rate making, regulation, service delivery, or issuance of bonds or other forms of indebtedness. However, this exemption from regulation does not apply to utility service if the service is generated, treated, or produced outside the boundaries of the existing or closed military installation.

SECTION 180. IC 36-7-15.1-25 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 25. (a) Real property acquired by the redevelopment district is exempt from taxation while owned by the district.

(b) All receipts of the department, including receipts from the sale of real property, personal property, and materials disposed of, are exempt from all taxes. ~~including the gross income tax.~~

(c) As used in this subsection, "year one" means any calendar year and "year two" means the calendar year following year one. When real property is acquired by the redevelopment district during the period from assessment on March 1 of year one to the last day of February of year two, the taxes due in year two shall be prorated between the seller and the city. When the proration is made, the auditor shall remove the city's prorated share from the tax duplicate by auditor's correction.

SECTION 181. IC 36-7-15.1-26.5, AS AMENDED BY P.L.90-2002, SECTION 480, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 26.5. (a) As used in this section, "adverse determination" means a determination by the fiscal officer of the consolidated city that the granting of credits described in subsection (g) or (h) would impair any contract with or otherwise adversely affect the owners of outstanding bonds payable from the allocation area special fund.

(b) As used in this section, "allocation area" has the meaning set forth in section 26 of this chapter.

(c) As used in this section, "special fund" refers to the special fund into which property taxes are paid under section 26 of this chapter.

(d) As used in this section, "taxing district" has the meaning set

forth in IC 6-1.1-1-20.

(e) Except as provided in subsections (g), (h), and (i), each taxpayer in an allocation area is entitled to an additional credit for ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** that, under IC 6-1.1-22-9, are due and payable in May and November of that year. One-half (1/2) of the credit shall be applied to each installment of ~~property~~ taxes **(as defined in IC 6-1.1-21-2).** This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district that contains all or part of the allocation area:

STEP ONE: Determine that part of the sum of the amounts under IC 6-1.1-21-2(g)(1)(A), IC 6-1.1-21-2(g)(2), IC 6-1.1-21-2(g)(3), IC 6-1.1-21-2(g)(4), and IC 6-1.1-21-2(g)(5) that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part ~~of twenty percent (20%)~~ of each county's t~~otal county tax levy payable~~ **eligible property tax replacement amount (as defined in IC 6-1.1-21-2) for** that year as determined under IC 6-1.1-21-4 that is attributable to the taxing district; by

(B) the STEP ONE sum.

STEP THREE: Multiply:

(A) the STEP TWO quotient; by

(B) the total amount of the taxpayer's ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** levied in the taxing district that would have been allocated to an allocation fund under section 26 of this chapter had the additional credit described in this section not been given.

The additional credit reduces the amount of proceeds allocated to the redevelopment district and paid into the special fund.

(f) The credit for property tax replacement under IC 6-1.1-21-5 and the additional credits under subsections (e), (g), (h), and (i), unless the credits under subsections (g) and (h) are partial credits, shall be computed on an aggregate basis for all taxpayers in a taxing district that contains all or part of an allocation area. Except as provided in subsections (h) and (i), the credit for property tax replacement under IC 6-1.1-21-5 and the additional credits under subsections (e), (g), (h), and (i) shall be combined on the tax statements sent to each taxpayer.

(g) This subsection applies to an allocation area if allocated taxes from that area were pledged to bonds, leases, or other obligations of the commission before May 8, 1989. A credit calculated using the method provided in subsection (e) may be granted under this subsection. The credit provided under this subsection is first applicable for the

allocation area for property taxes first due and payable in 1992. The following apply to the determination of the credit provided under this subsection:

(1) Before June 15 of each year, the fiscal officer of the consolidated city shall determine and certify the following:

(A) All amounts due in the following year to the owners of outstanding bonds payable from the allocation area special fund.

(B) All amounts that are:

(i) required under contracts with bond holders; and

(ii) payable from the allocation area special fund to fund accounts and reserves.

(C) An estimate of the amount of personal property taxes available to be paid into the allocation area special fund under section 26.9(c) of this chapter.

(D) An estimate of the aggregate amount of credits to be granted if full credits are granted.

(2) Before June 15 of each year, the fiscal officer of the consolidated city shall determine if the granting of the full amount of credits in the following year would impair any contract with or otherwise adversely affect the owners of outstanding bonds payable from the allocation area special fund.

(3) If the fiscal officer of the consolidated city determines under subdivision (2) that there would not be an impairment or adverse effect:

(A) the fiscal officer of the consolidated city shall certify the determination; and

(B) the full credits shall be applied in the following year, subject to the determinations and certifications made under section 26.7(b) of this chapter.

(4) If the fiscal officer of the consolidated city makes an adverse determination under subdivision (2), the fiscal officer of the consolidated city shall determine whether there is an amount of partial credits that, if granted in the following year, would not result in the impairment or adverse effect. If the fiscal officer determines that there is an amount of partial credits that would not result in the impairment or adverse effect, the fiscal officer shall do the following:

(A) Determine the amount of the partial credits.

(B) Certify that determination.

(5) If the fiscal officer of the consolidated city certifies under subdivision (4) that partial credits may be paid, the partial credits

shall be applied pro rata among all affected taxpayers in the following year.

(6) An affected taxpayer may appeal any of the following to the circuit or superior court of the county in which the allocation area is located:

(A) A determination by the fiscal officer of the consolidated city that:

(i) credits may not be paid in the following year; or

(ii) only partial credits may be paid in the following year.

(B) A failure by the fiscal officer of the consolidated city to make a determination by June 15 of whether full or partial credits are payable under this subsection.

(7) An appeal of a determination must be filed not later than thirty (30) days after the publication of the determination.

(8) An appeal of a failure by the fiscal officer of the consolidated city to make a determination of whether the credits are payable under this subsection must be filed by July 15 of the year in which the determination should have been made.

(9) All appeals under subdivision (6) shall be decided by the court within sixty (60) days.

(h) This subsection applies to an allocation area if allocated taxes from that area were pledged to bonds, leases, or other obligations of the commission before May 8, 1989. A credit calculated using the method in subsection (e) and in subdivision (2) ~~of this subsection~~ may be granted under this subsection. The following apply to the credit granted under this subsection:

(1) The credit is applicable to property taxes first due and payable in 1991.

(2) For purposes of this subsection, the amount of a credit for 1990 taxes payable in 1991 with respect to an affected taxpayer is equal to:

(A) the amount of the quotient determined under STEP TWO of subsection (e); multiplied by

(B) the total amount of the property taxes payable by the taxpayer that were allocated in 1991 to the allocation area special fund under section 26 of this chapter.

(3) Before June 15, 1991, the fiscal officer of the consolidated city shall determine and certify an estimate of the aggregate amount of credits for 1990 taxes payable in 1991 if the full credits are granted.

(4) The fiscal officer of the consolidated city shall determine whether the granting of the full amounts of the credits for 1990

taxes payable in 1991 against 1991 taxes payable in 1992 and the granting of credits under subsection (g) would impair any contract with or otherwise adversely affect the owners of outstanding bonds payable from the allocation area special fund for an allocation area described in subsection (g).

(5) If the fiscal officer of the consolidated city determines that there would not be an impairment or adverse effect under subdivision (4):

(A) the fiscal officer shall certify that determination; and

(B) the full credits shall be applied against 1991 taxes payable in 1992 or the amount of the credits shall be paid to the taxpayers as provided in subdivision (12), subject to the determinations and certifications made under section 26.7(b) of this chapter.

(6) If the fiscal officer of the consolidated city makes an adverse determination under subdivision (4), the fiscal officer shall determine whether there is an amount of partial credits for 1990 taxes payable in 1991 that, if granted against 1991 taxes payable in 1992 in addition to granting of the credits under subsection (g), would not result in the impairment or adverse effect.

(7) If the fiscal officer of the consolidated city determines under subdivision (6) that there is an amount of partial credits that would not result in the impairment or adverse effect, the fiscal officer shall determine the amount of partial credits and certify that determination.

(8) If the fiscal officer of the consolidated city certifies under subdivision (7) that partial credits may be paid, the partial credits shall be applied pro rata among all affected taxpayers against 1991 taxes payable in 1992.

(9) An affected taxpayer may appeal any of the following to the circuit or superior court of the county in which the allocation area is located:

(A) A determination by the fiscal officer of the consolidated city that:

(i) credits may not be paid for 1990 taxes payable in 1991; or

(ii) only partial credits may be paid for 1990 taxes payable in 1991.

(B) A failure by the fiscal officer of the consolidated city to make a determination by June 15, 1991, of whether credits are payable under this subsection.

(10) An appeal of a determination must be filed not later than

thirty (30) days after the publication of the determination. Any such appeal shall be decided by the court within sixty (60) days.

(11) An appeal of a failure by the fiscal officer of the consolidated city to make a determination of whether credits are payable under this subsection must be filed by July 15, 1991. Any such appeal shall be decided by the court within sixty (60) days.

(12) If 1991 taxes payable in 1992 with respect to a parcel are billed to the same taxpayer to which 1990 taxes payable in 1991 were billed, the county treasurer shall apply to the tax bill for 1991 taxes payable in 1992 both the credit provided under subsection (g) and the credit provided under this subsection, along with any credit determined to be applicable to the tax bill under subsection (i). In the alternative, at the election of the county auditor, the county may pay to the taxpayer the amount of the credit by May 10, 1992, and the amount shall be charged to the taxing units in which the allocation area is located in the proportion of the taxing units' respective tax rates for 1990 taxes payable in 1991.

(13) If 1991 taxes payable in 1992 with respect to a parcel are billed to a taxpayer other than the taxpayer to which 1990 taxes payable in 1991 were billed, the county treasurer shall do the following:

(A) Apply only the credits under subsections (g) and (i) to the tax bill for 1991 taxes payable in 1992.

(B) Give notice by June 30, 1991, by publication two (2) times in three (3) newspapers in the county with the largest circulation of the availability of a refund of the credit under this subsection.

A taxpayer entitled to a credit must file an application for refund of the credit with the county auditor not later than November 30, 1991.

(14) A taxpayer who files an application by November 30, 1991, is entitled to payment from the county treasurer in an amount that is in the same proportion to the credit provided under this subsection with respect to a parcel as the amount of 1990 taxes payable in 1991 paid by the taxpayer with respect to the parcel bears to the 1990 taxes payable in 1991 with respect to the parcel. This amount shall be paid to the taxpayer by May 10, 1992, and shall be charged to the taxing units in which the allocation area is located in the proportion of the taxing units' respective tax rates for 1990 taxes payable in 1991.

(i) This subsection applies to an allocation area if allocated taxes

from that area were pledged to bonds, leases, or other obligations of the commission before May 8, 1989. The following apply to the credit granted under this subsection:

(1) A prior year credit is applicable to property taxes first due and payable in each year from 1987 through 1990 (the "prior years").

(2) The credit for each prior year is equal to:

(A) the amount of the quotient determined under STEP TWO of subsection (e) for the prior year; multiplied by

(B) the total amount of the property taxes paid by the taxpayer that were allocated in the prior year to the allocation area special fund under section 26 of this chapter.

(3) Before January 31, 1992, the county auditor shall determine the amount of credits under subdivision (2) with respect to each parcel in the allocation area for all prior years with respect to which:

(A) taxes were billed to the same taxpayer for taxes payable in each year from 1987 through 1991; or

(B) an application was filed by November 30, 1991, under subdivision (8) for refund of the credits for prior years.

A report of the determination by parcel shall be sent by the county auditor to the department of local government finance and the budget agency within five (5) days of such determination.

(4) Before January 31, 1992, the county auditor shall determine the quotient of the amounts determined under subdivision (3) with respect to each parcel divided by six (6).

(5) Before January 31, 1992, the county auditor shall determine the quotient of the aggregate amounts determined under subdivision (3) with respect to all parcels divided by twelve (12).

(6) Except as provided in subdivisions (7) and (9), in each year in which credits from prior years remain unpaid, credits for the prior years in the amounts determined under subdivision (4) shall be applied as provided in this subsection.

(7) If taxes payable in the current year with respect to a parcel are billed to the same taxpayer to which taxes payable in all of the prior years were billed and if the amount determined under subdivision (3) with respect to the parcel is at least five hundred dollars ($500), the county treasurer shall apply the credits provided for the current year under subsections (g) and (h) and the credit in the amount determined under subdivision (4) to the tax bill for taxes payable in the current year. However, if the amount determined under subdivision (3) with respect to the parcel is less than five hundred dollars ($500) (referred to in this

subdivision as "small claims"), the county may, at the election of the county auditor, either apply a credit in the amount determined under subdivision (3) or ~~subdivision~~ (4) to the tax bill for taxes payable in the current year or pay either amount to the taxpayer. If title to a parcel transfers in a year in which a credit under this subsection is applied to the tax bill, the transferor may file an application with the county auditor within thirty (30) days of the date of the transfer of title to the parcel for payments to the transferor at the same times and in the same amounts that would have been allowed as credits to the transferor under this subsection if there had not been a transfer. If a determination is made by the county auditor to refund or credit small claims in the amounts determined under subdivision (3) in 1992, the county auditor may make appropriate adjustments to the credits applied with respect to other parcels so that the total refunds and credits in any year will not exceed the payments made from the state property tax replacement fund to the prior year credit fund referred to in subdivision (11) in that year.

(8) If taxes payable in the current year with respect to a parcel are billed to a taxpayer that is not a taxpayer to which taxes payable in all of the prior years were billed, the county treasurer shall do the following:

(A) Apply only the credits under subsections (g) and (h) to the tax bill for taxes payable in the current year.

(B) Give notice by June 30, 1991, by publication two (2) times in three (3) newspapers in the county with the largest circulation of the availability of a refund of the credit.

A taxpayer entitled to the credit must file an application for refund of the credit with the county auditor not later than November 30, 1991. A refund shall be paid to an eligible applicant by May 10, 1992.

(9) A taxpayer who filed an application by November 30, 1991, is entitled to payment from the county treasurer under subdivision (8) in an amount that is in the same proportion to the credit determined under subdivision (3) with respect to a parcel as the amount of taxes payable in the prior years paid by the taxpayer with respect to the parcel bears to the taxes payable in the prior years with respect to the parcel.

(10) In each year on May 1 and November 1, the state shall pay to the county treasurer from the state property tax replacement fund the amount determined under subdivision (5).

(11) All payments received from the state under subdivision (10)

shall be deposited into a special fund to be known as the prior year credit fund. The prior year credit fund shall be used to make:

(A) payments under subdivisions (7) and (9); and

(B) deposits into the special fund for the application of prior year credits.

(12) All amounts paid into the special fund for the allocation area under subdivision (11) are subject to any pledge of allocated property tax proceeds made by the redevelopment district under section 26(d) of this chapter, including but not limited to any pledge made to owners of outstanding bonds of the redevelopment district of allocated taxes from that area.

(13) By January 15, 1993, and by January 15 of each year thereafter, the county auditor shall send to the department of local government finance and the budget agency a report of the receipts, earnings, and disbursements of the prior year credit fund for the prior calendar year. If in the final year that credits under subsection (i) are allowed any balance remains in the prior year credit fund after the payment of all credits payable under this subsection, such balance shall be repaid to the treasurer of state for deposit in the property tax replacement fund.

(14) In each year, the county shall limit the total of all refunds and credits provided for in this subsection to the total amount paid in that year from the property tax replacement fund into the prior year credit fund and any balance remaining from the preceding year in the prior year credit fund.

SECTION 182. IC 36-7-15.1-35 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 35. (a) Notwithstanding section 26(a) of this chapter, with respect to the allocation and distribution of property taxes for the accomplishment of a program adopted under section 32 of this chapter, "base assessed value" means the net assessed value of all of the land as finally determined for the assessment date immediately preceding the effective date of the allocation provision, as adjusted under section 26(g) of this chapter. However, "base assessed value" does not include the value of real property improvements to the land.

(b) The special fund established under section 26(b) of this chapter for the allocation area for a program adopted under section 32 of this chapter may be used only for purposes related to the accomplishment of the program, including the following:

(1) The construction, rehabilitation, or repair of residential units within the allocation area.

(2) The construction, reconstruction, or repair of infrastructure

(such as streets, sidewalks, and sewers) within or serving the allocation area.

(3) The acquisition of real property and interests in real property within the allocation area.

(4) The demolition of real property within the allocation area.

(5) To provide financial assistance to enable individuals and families to purchase or lease residential units within the allocation area. However, financial assistance may be provided only to those individuals and families whose income is at or below the county's median income for individuals and families, respectively.

(6) To provide financial assistance to neighborhood development corporations to permit them to provide financial assistance for the purposes described in subdivision (5).

(7) To provide each taxpayer in the allocation area a credit for property tax replacement as determined under subsections (c) and (d). However, this credit may be provided by the commission only if the city-county legislative body establishes the credit by ordinance adopted in the year before the year in which the credit is provided.

(c) The maximum credit that may be provided under subsection (b)(7) to a taxpayer in a taxing district that contains all or part of an allocation area established for a program adopted under section 32 of this chapter shall be determined as follows:

STEP ONE: Determine that part of the sum of the amounts described in IC 6-1.1-21-2(g)(1)(A) and IC 6-1.1-21-2(g)(2) through IC 6-1.1-21-2(g)(5) that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part of ~~the amount~~ **each county's eligible property tax replacement amount (as defined in IC 6-1.1-21-2) for that year as** determined under IC 6-1.1-21-4(a)(1) that is attributable to the taxing district; by

(B) the amount determined under STEP ONE.

STEP THREE: Multiply:

(A) the STEP TWO quotient; by

(B) the taxpayer's ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** levied in the taxing district allocated to the allocation fund, including the amount that would have been allocated but for the credit.

(d) The commission may determine to grant to taxpayers in an allocation area from its allocation fund a credit under this section, as calculated under subsection (c), by applying one-half (1/2) of the credit

to each installment of ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** that under IC 6-1.1-22-9 are due and payable on May 1 and November 1 of a year. The commission must provide for the credit annually by a resolution and must find in the resolution the following:

(1) That the money to be collected and deposited in the allocation fund, based upon historical collection rates, after granting the credit will equal the amounts payable for contractual obligations from the fund, plus ten percent (10%) of those amounts.

(2) If bonds payable from the fund are outstanding, that there is a debt service reserve for the bonds that at least equals the amount of the credit to be granted.

(3) If bonds of a lessor under section 17.1 of this chapter or under IC 36-1-10 are outstanding and if lease rentals are payable from the fund, that there is a debt service reserve for those bonds that at least equals the amount of the credit to be granted.

If the tax increment is insufficient to grant the credit in full, the commission may grant the credit in part, prorated among all taxpayers.

(e) Notwithstanding section 26(b) of this chapter, the special fund established under section 26(b) of this chapter for the allocation area for a program adopted under section 32 of this chapter may only be used to do one (1) or more of the following:

(1) Accomplish one (1) or more of the actions set forth in section 26(b)(2)(A) through ~~section~~ 26(b)(2)(H) of this chapter.

(2) Reimburse the consolidated city for expenditures made by the city in order to accomplish the housing program in that allocation area.

The special fund may not be used for operating expenses of the commission.

(f) Notwithstanding section 26(b) of this chapter, the commission shall, relative to the special fund established under section 26(b) of this chapter for an allocation area for a program adopted under section 32 of this chapter, do the following before July 15 of each year:

(1) Determine the amount, if any, by which property taxes payable to the allocation fund in the following year will exceed the amount of property taxes necessary:

(A) to make, when due, principal and interest payments on bonds described in section 26(b)(2) of this chapter;

(B) to pay the amount necessary for other purposes described in section 26(b)(2) of this chapter; and

(C) to reimburse the consolidated city for anticipated expenditures described in subsection (e)(2).

(2) Notify the county auditor of the amount, if any, of excess

property taxes that the commission has determined may be paid to the respective taxing units in the manner prescribed in section 26(b)(1) of this chapter.

SECTION 183. IC 36-7-15.1-52, AS ADDED BY P.L.102-1999, SECTION 19, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 52. (a) Real property acquired by the redevelopment district is exempt from taxation while owned by the district.

(b) All receipts of the redevelopment district, including receipts from the sale of real property, personal property, and materials disposed of, are exempt from all taxes. ~~including the gross income tax.~~

(c) As used in this subsection, "year one" means any calendar year and "year two" means the calendar year following year one. When real property is acquired by the redevelopment district during the period from assessment on March 1 of year one to the last day of February of year two, the taxes due in year two shall be prorated between the seller and the city. When the proration is made, the auditor shall remove the city's prorated share from the tax duplicate by auditor's correction.

SECTION 184. IC 36-7-15.1-56, AS ADDED BY P.L.102-1999, SECTION 23, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 56. (a) As used in this section, "allocation area" has the meaning set forth in section 53 of this chapter.

(b) As used in this section, "taxing district" has the meaning set forth in IC 6-1.1-1-20.

(c) Subject to subsection (e), each taxpayer in an allocation area is entitled to an additional credit for ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** that under IC 6-1.1-22-9 are due and payable in May and November of that year. One-half (1/2) of the credit shall be applied to each installment of ~~property~~ taxes **(as defined in IC 6-1.1-21-2).** This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district that contains all or part of the allocation area:

STEP ONE: Determine that part of the sum of the amounts under IC 6-1.1-21-2(g)(1)(A), IC 6-1.1-21-2(g)(2), IC 6-1.1-21-2(g)(3), IC 6-1.1-21-2(g)(4), and IC 6-1.1-21-2(g)(5) that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part ~~of twenty percent (20%)~~ of each county's ~~total county tax levy payable~~ **eligible property tax replacement amount (as defined in IC 6-1.1-21-2) for** that year as determined under IC 6-1.1-21-4 that is attributable to the taxing district; by

(B) the STEP ONE sum.

STEP THREE: Multiply:

(A) the STEP TWO quotient; times

(B) the total amount of the taxpayer's ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** levied in the taxing district that would have been allocated to an allocation fund under section 53 of this chapter had the additional credit described in this section not been given.

The additional credit reduces the amount of proceeds allocated to the development district and paid into an allocation fund under section 53(b)(2) of this chapter.

(d) If the additional credit under subsection (c) is not reduced under subsection (e) or (f), the credit for property tax replacement under IC 6-1.1-21-5 and the additional credit under subsection (c) shall be computed on an aggregate basis for all taxpayers in a taxing district that contains all or part of an allocation area. The credit for property tax replacement under IC 6-1.1-21-5 and the additional credit under subsection (c) shall be combined on the tax statements sent to each taxpayer.

(e) Upon the recommendation of the commission, the excluded city legislative body may, by resolution, provide that the additional credit described in subsection (c):

(1) does not apply in a specified allocation area; or

(2) is to be reduced by a uniform percentage for all taxpayers in a specified allocation area.

(f) Whenever the excluded city legislative body determines that granting the full additional credit under subsection (c) would adversely affect the interests of the holders of bonds or other contractual obligations that are payable from allocated tax proceeds in that allocation area in a way that would create a reasonable expectation that those bonds or other contractual obligations would not be paid when due, the excluded city legislative body must adopt a resolution under subsection (e) to deny the additional credit or reduce it to a level that creates a reasonable expectation that the bonds or other obligations will be paid when due. A resolution adopted under subsection (e) denies or reduces the additional credit for property taxes first due and payable in the allocation area in any year following the year in which the resolution is adopted.

(g) A resolution adopted under subsection (e) remains in effect until it is rescinded by the body that originally adopted it. However, a resolution may not be rescinded if the rescission would adversely affect the interests of the holders of bonds or other obligations that are

payable from allocated tax proceeds in that allocation area in a way that would create a reasonable expectation that the principal of or interest on the bonds or other obligations would not be paid when due. If a resolution is rescinded and no other resolution is adopted, the additional credit described in subsection (c) applies to property taxes first due and payable in the allocation area in each year following the year in which the resolution is rescinded.

SECTION 185. IC 36-7-30-25, AS AMENDED BY P.L.90-2002, SECTION 486, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 25. (a) The following definitions apply throughout this section:

(1) "Allocation area" means that part of a military base reuse area to which an allocation provision of a declaratory resolution adopted under section 10 of this chapter refers for purposes of distribution and allocation of property taxes.

(2) "Base assessed value" means:

(A) the net assessed value of all the property as finally determined for the assessment date immediately preceding the adoption date of the allocation provision of the declaratory resolution, as adjusted under subsection (h); plus

(B) to the extent that it is not included in clause (A) or (C), the net assessed value of any and all parcels or classes of parcels identified as part of the base assessed value in the declaratory resolution or an amendment thereto, as finally determined for any subsequent assessment date; plus

(C) to the extent that it is not included in clause (A) or (B), the net assessed value of property that is assessed as residential property under the rules of the department of local government finance, as finally determined for any assessment date after the effective date of the allocation provision.

Clause (C) applies only to allocation areas established in a military reuse area after June 30, 1997, and to the portion of an allocation area that was established before June 30, 1997, and that is added to an existing allocation area after June 30, 1997.

(3) "Property taxes" means taxes imposed under IC 6-1.1 on real property.

(b) A declaratory resolution adopted under section 10 of this chapter before the date set forth in IC 36-7-14-39(b) pertaining to declaratory resolutions adopted under IC 36-7-14-15 may include a provision with respect to the allocation and distribution of property taxes for the purposes and in the manner provided in this section. A declaratory resolution previously adopted may include an allocation provision by

the amendment of that declaratory resolution in accordance with the procedures set forth in section 13 of this chapter. The allocation provision may apply to all or part of the military base reuse area. The allocation provision must require that any property taxes subsequently levied by or for the benefit of any public body entitled to a distribution of property taxes on taxable property in the allocation area be allocated and distributed as follows:

(1) Except as otherwise provided in this section, the proceeds of the taxes attributable to the lesser of:

(A) the assessed value of the property for the assessment date with respect to which the allocation and distribution is made; or

(B) the base assessed value;

shall be allocated to and, when collected, paid into the funds of the respective taxing units.

(2) Except as otherwise provided in this section, property tax proceeds in excess of those described in subdivision (1) shall be allocated to the military base reuse district and, when collected, paid into an allocation fund for that allocation area that may be used by the military base reuse district and only to do one (1) or more of the following:

(A) Pay the principal of and interest and redemption premium on any obligations incurred by the military base reuse district or any other entity for the purpose of financing or refinancing military base reuse activities in or directly serving or benefiting that allocation area.

(B) Establish, augment, or restore the debt service reserve for bonds payable solely or in part from allocated tax proceeds in that allocation area or from other revenues of the reuse authority, including lease rental revenues.

(C) Make payments on leases payable solely or in part from allocated tax proceeds in that allocation area.

(D) Reimburse any other governmental body for expenditures made for local public improvements (or structures) in or directly serving or benefiting that allocation area.

(E) Pay all or a part of a property tax replacement credit to taxpayers in an allocation area as determined by the reuse authority. This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district (as defined in IC 6-1.1-1-20) that contains all or part of the allocation area:

STEP ONE: Determine that part of the sum of the amounts

under IC 6-1.1-21-2(g)(1)(A), IC 6-1.1-21-2(g)(2), IC 6-1.1-21-2(g)(3), IC 6-1.1-21-2(g)(4), and IC 6-1.1-21-2(g)(5) that is attributable to the taxing district.

STEP TWO: Divide:

(i) that part ~~of the twenty percent (20%)~~ of each county's ~~total county tax levy payable~~ **eligible property tax replacement amount (as defined in IC 6-1.1-21-2) for** that year as determined under IC 6-1.1-21-4 that is attributable to the taxing district; by

(ii) the STEP ONE sum.

STEP THREE: Multiply:

(i) the STEP TWO quotient; times

(ii) the total amount of the taxpayer's ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** levied in the taxing district that have been allocated during that year to an allocation fund under this section.

If not all the taxpayers in an allocation area receive the credit in full, each taxpayer in the allocation area is entitled to receive the same proportion of the credit. A taxpayer may not receive a credit under this section and a credit under section 27 of this chapter in the same year.

(F) Pay expenses incurred by the reuse authority for local public improvements or structures that were in the allocation area or directly serving or benefiting the allocation area.

(G) Reimburse public and private entities for expenses incurred in training employees of industrial facilities that are located:

(i) in the allocation area; and

(ii) on a parcel of real property that has been classified as industrial property under the rules of the department of local government finance.

However, the total amount of money spent for this purpose in any year may not exceed the total amount of money in the allocation fund that is attributable to property taxes paid by the industrial facilities described in this clause. The reimbursements under this clause must be made not more than three (3) years after the date on which the investments that are the basis for the increment financing are made.

The allocation fund may not be used for operating expenses of the reuse authority.

(3) Except as provided in subsection (g), before July 15 of each year the reuse authority shall do the following:

(A) Determine the amount, if any, by which property taxes payable to the allocation fund in the following year will exceed the amount of property taxes necessary to make, when due, principal and interest payments on bonds described in subdivision (2) plus the amount necessary for other purposes described in subdivision (2).

(B) Notify the county auditor of the amount, if any, of the amount of excess property taxes that the reuse authority has determined may be paid to the respective taxing units in the manner prescribed in subdivision (1). The reuse authority may not authorize a payment to the respective taxing units under this subdivision if to do so would endanger the interest of the holders of bonds described in subdivision (2) or lessors under section 19 of this chapter. Property taxes received by a taxing unit under this subdivision are eligible for the property tax replacement credit provided under IC 6-1.1-21.

(c) For the purpose of allocating taxes levied by or for any taxing unit or units, the assessed value of taxable property in a territory in the allocation area that is annexed by a taxing unit after the effective date of the allocation provision of the declaratory resolution is the lesser of:

(1) the assessed value of the property for the assessment date with respect to which the allocation and distribution is made; or

(2) the base assessed value.

(d) Property tax proceeds allocable to the military base reuse district under subsection (b)(2) may, subject to subsection (b)(3), be irrevocably pledged by the military base reuse district for payment as set forth in subsection (b)(2).

(e) Notwithstanding any other law, each assessor shall, upon petition of the reuse authority, reassess the taxable property situated upon or in or added to the allocation area, effective on the next assessment date after the petition.

(f) Notwithstanding any other law, the assessed value of all taxable property in the allocation area, for purposes of tax limitation, property tax replacement, and the making of the budget, tax rate, and tax levy for each political subdivision in which the property is located is the lesser of:

(1) the assessed value of the property as valued without regard to this section; or

(2) the base assessed value.

(g) If any part of the allocation area is located in an enterprise zone created under IC 4-4-6.1, the unit that designated the allocation area shall create funds as specified in this subsection. A unit that has

obligations, bonds, or leases payable from allocated tax proceeds under subsection (b)(2) shall establish an allocation fund for the purposes specified in subsection (b)(2) and a special zone fund. Such a unit shall, until the end of the enterprise zone phase out period, deposit each year in the special zone fund any amount in the allocation fund derived from property tax proceeds in excess of those described in subsection (b)(1) from property located in the enterprise zone that exceeds the amount sufficient for the purposes specified in subsection (b)(2) for the year. The amount sufficient for purposes specified in subsection (b)(2) for the year shall be determined based on the pro rata part of such current property tax proceeds from the part of the enterprise zone that is within the allocation area as compared to all such current property tax proceeds derived from the allocation area. A unit that does not have obligations, bonds, or leases payable from allocated tax proceeds under subsection (b)(2) shall establish a special zone fund and deposit all the property tax proceeds in excess of those described in subsection (b)(1) that are derived from property in the enterprise zone in the fund. The unit that creates the special zone fund shall use the fund (based on the recommendations of the urban enterprise association) for programs in job training, job enrichment, and basic skill development that are designed to benefit residents and employers in the enterprise zone or other purposes specified in subsection (b)(2), except that where reference is made in subsection (b)(2) to allocation area it shall refer for purposes of payments from the special zone fund only to that portion of the allocation area that is also located in the enterprise zone. The programs shall reserve at least one-half (1/2) of their enrollment in any session for residents of the enterprise zone.

(h) After each general reassessment under IC 6-1.1-4, the department of local government finance shall adjust the base assessed value one (1) time to neutralize any effect of the general reassessment on the property tax proceeds allocated to the military base reuse district under this section. However, the adjustment may not include the effect of property tax abatements under IC 6-1.1-12.1, and the adjustment may not produce less property tax proceeds allocable to the military base reuse district under subsection (b)(2) than would otherwise have been received if the general reassessment had not occurred. The department of local government finance may prescribe procedures for county and township officials to follow to assist the department in making the adjustments.

SECTION 186. IC 36-7-30-27 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 27. (a) As used in this section, "allocation area" has the meaning set forth in section 25

of this chapter.

(b) As used in this section, "taxing district" has the meaning set forth in IC 6-1.1-1-20.

(c) Subject to subsection (e), each taxpayer in an allocation area is entitled to an additional credit for ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** that under IC 6-1.1-22-9 are due and payable in May and November of that year. One-half (1/2) of the credit shall be applied to each installment of ~~property~~ taxes **(as defined in IC 6-1.1-21-2).** This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district that contains all or part of the allocation area:

STEP ONE: Determine that part of the sum of the amounts under IC 6-1.1-21-2(g)(1)(A), IC 6-1.1-21-2(g)(2), IC 6-1.1-21-2(g)(3), IC 6-1.1-21-2(g)(4), and IC 6-1.1-21-2(g)(5) that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part ~~of twenty percent (20%)~~ of each county's ~~total county tax levy payable~~ **eligible property tax replacement amount (as defined in IC 6-1.1-21-2) for** that year as determined under IC 6-1.1-21-4 that is attributable to the taxing district; by

(B) the STEP ONE sum.

STEP THREE: Multiply:

(A) the STEP TWO quotient; times

(B) the total amount of the taxpayer's ~~property~~ taxes **(as defined in IC 6-1.1-21-2)** levied in the taxing district that would have been allocated to an allocation fund under section 25 of this chapter had the additional credit described in this section not been given.

The additional credit reduces the amount of proceeds allocated to the military base reuse district and paid into an allocation fund under section 25(b)(2) of this chapter.

(d) If the additional credit under subsection (c) is not reduced under subsection (e) or (f), the credit for property tax replacement under IC 6-1.1-21-5 and the additional credit under subsection (c) shall be computed on an aggregate basis for all taxpayers in a taxing district that contains all or part of an allocation area. The credit for property tax replacement under IC 6-1.1-21-5 and the additional credit under subsection (c) shall be combined on the tax statements sent to each taxpayer.

(e) Upon the recommendation of the reuse authority, the municipal legislative body (in the case of a reuse authority established by a

municipality) or the county executive (in the case of a reuse authority established by a county) may by resolution provide that the additional credit described in subsection (c):

(1) does not apply in a specified allocation area; or

(2) is to be reduced by a uniform percentage for all taxpayers in a specified allocation area.

(f) If the municipal legislative body or county executive determines that granting the full additional credit under subsection (c) would adversely affect the interests of the holders of bonds or other contractual obligations that are payable from allocated tax proceeds in that allocation area in a way that would create a reasonable expectation that those bonds or other contractual obligations would not be paid when due, the municipal legislative body or county executive must adopt a resolution under subsection (e) to deny the additional credit or reduce the credit to a level that creates a reasonable expectation that the bonds or other obligations will be paid when due. A resolution adopted under subsection (e) denies or reduces the additional credit for property taxes first due and payable in the allocation area in any year following the year in which the resolution is adopted.

(g) A resolution adopted under subsection (e) remains in effect until rescinded by the body that originally adopted the resolution. However, a resolution may not be rescinded if the rescission would adversely affect the interests of the holders of bonds or other obligations that are payable from allocated tax proceeds in that allocation area in a way that would create a reasonable expectation that the principal of or interest on the bonds or other obligations would not be paid when due. If a resolution is rescinded and no other resolution is adopted, the additional credit described in subsection (c) applies to property taxes first due and payable in the allocation area in each year following the year in which the resolution is rescinded.

SECTION 187. IC 36-7-32 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]:

Chapter 32. Certified Technology Parks

Sec. 1. This chapter applies to all units having a department of redevelopment under IC 36-7-14 or a department of metropolitan development as the redevelopment commission of a consolidated city under IC 36-7-15.1.

Sec. 2. The definitions in IC 36-7-14 and IC 36-7-15.1 apply throughout this chapter.

Sec. 3. As used in this chapter, the following terms have the meanings set forth in IC 6-1.1-1:

(1) Assessment date.

(2) Assessed value or assessed valuation.

(3) Taxing district.

(4) Taxing unit.

Sec. 4. As used in this chapter, "base assessed value" means:

(1) the net assessed value of all the taxable property located in a certified technology park as finally determined for the assessment date immediately preceding the effective date of the allocation provision of a resolution adopted under section 15 of this chapter; plus

(2) to the extent it is not included in subdivision (1), the net assessed value of property that is assessed as residential property under the rules of the department of local government finance, as finally determined for any assessment date after the effective date of the allocation provision.

Sec. 5. As used in this chapter, "business incubator" means real and personal property that:

(1) is located in a certified technology park;

(2) is subject to an agreement under section 12 of this chapter; and

(3) is developed for the primary purpose of attracting one (1) or more owners or tenants who will engage in high technology activities.

Sec. 6. As used in this chapter, "gross retail base period amount" means the aggregate amount of state gross retail and use taxes remitted under IC 6-2.5 by the businesses operating in the territory comprising a certified technology park during the full state fiscal year that precedes the date on which the certified technology park was designated under section 11 of this chapter.

Sec. 7. As used in this chapter, "high technology activity" means one (1) or more of the following:

(1) Advanced computing, which is any technology used in the design and development of any of the following:

(A) Computer hardware and software.

(B) Data communications.

(C) Information technologies.

(2) Advanced materials, which are materials with engineered properties created through the development of specialized process and synthesis technology.

(3) Biotechnology, which is any technology that uses living organisms, cells, macromolecules, microorganisms, or substances from living organisms to make or modify a

product, improve plants or animals, or develop microorganisms for useful purposes. Biotechnology does not include human cloning or stem cell research with embryonic tissue.

(4) Electronic device technology, which is any technology that involves:

(A) microelectronics, semiconductors, or electronic equipment;

(B) instrumentation, radio frequency, microwave, and millimeter electronics;

(C) optical and optic electrical devices; or

(D) data and digital communications and imaging devices.

(5) Engineering or laboratory testing related to the development of a product.

(6) Technology that assists in the assessment or prevention of threats or damage to human health or the environment, including environmental cleanup technology, pollution prevention technology, or development of alternative energy sources.

(7) Medical device technology, which is any technology that involves medical equipment or products other than a pharmaceutical product that has therapeutic or diagnostic value and is regulated.

(8) Product research and development.

(9) Advanced vehicles technology, which is any technology that involves:

(A) electric vehicles, hybrid vehicles, or alternative fuel vehicles; or

(B) components used in the construction of electric vehicles, hybrid vehicles, or alternative fuel vehicles.

Sec. 8. As used in this chapter, "income tax base period amount" means the aggregate amount of the following taxes paid by employees employed in the territory comprising a certified technology park with respect to wages and salary earned for work in the certified technology park for the state fiscal year that precedes the date on which the certified technology park was designated under section 11 of this chapter:

(1) The adjusted gross income tax.

(2) The county adjusted gross income tax.

(3) The county option income tax.

(4) The county economic development income tax.

Sec. 9. As used in this chapter, subject to the approval of the

department of commerce under an agreement entered into under section 12 of this chapter, "public facilities" includes the following:

(1) A street, road, bridge, storm water or sanitary sewer, sewage treatment facility, facility designed to reduce, eliminate, or prevent the spread of identified soil or groundwater contamination, drainage system, retention basin, pretreatment facility, waterway, waterline, water storage facility, rail line, electric, gas, telephone or other communications, or any other type of utility line or pipeline, or other similar or related structure or improvement, together with necessary easements for the structure or improvement. Except for rail lines, utility lines, or pipelines, the structures or improvements described in this subdivision must be either owned or used by a public agency, functionally connected to similar or supporting facilities owned or used by a public agency, or designed and dedicated to use by, for the benefit of, or for the protection of the health, welfare, or safety of the public generally, whether or not used by a single business entity. Any road, street, or bridge must be continuously open to public access. A public facility must be located on public property or in a public, utility, or transportation easement or right-of-way.

(2) Land and other assets that are or may become eligible for depreciation for federal income tax purposes for a business incubator located in a certified technology park.

(3) Land and other assets that, if privately owned, would be eligible for depreciation for federal income tax purposes for laboratory facilities, research and development facilities, conference facilities, teleconference facilities, testing facilities, training facilities, or quality control facilities:

(A) that are or that support property whose primary purpose and use is or will be for a high technology activity;

(B) that are owned by a public entity; and

(C) that are located within a certified technology park.

Sec. 10. A unit may apply to the department of commerce for designation of all or part of the territory within the jurisdiction of the unit's redevelopment commission as a certified technology park and to enter into an agreement governing the terms and conditions of the designation. The application must be in a form specified by the department and must include information the department determines necessary to make the determinations required under section 11 of this chapter.

Sec. 11. (a) After receipt of an application under section 10 of this chapter, and subject to subsection (b), the department of commerce may designate a certified technology park if the department determines that the application demonstrates a firm commitment from at least one (1) business engaged in a high technology activity creating a significant number of jobs and satisfies one (1) or more of the following additional criteria:

(1) A demonstration of significant support from an institution of higher education or a private research based institute located within, or in the vicinity of, the proposed certified technology park, as evidenced by the following criteria:

(A) Grants of preferences for access to and commercialization of intellectual property.

(B) Access to laboratory and other facilities owned by or under the control of the institution of higher education or private research based institute.

(C) Donations of services.

(D) Access to telecommunications facilities and other infrastructure.

(E) Financial commitments.

(F) Access to faculty, staff, and students.

(G) Opportunities for adjunct faculty and other types of staff arrangements or affiliations.

(H) Other criteria considered appropriate by the department.

(2) A demonstration of a significant commitment by the institution of higher education or private research based institute to the commercialization of research produced at the certified technology park, as evidenced by the intellectual property and, if applicable, tenure policies that reward faculty and staff for commercialization and collaboration with private businesses.

(3) A demonstration that the proposed certified technology park will be developed to take advantage of the unique characteristics and specialties offered by the public and private resources available in the area in which the proposed certified technology park will be located.

(4) The existence of or proposed development of a business incubator within the proposed certified technology park that exhibits the following types of resources and organization:

(A) Significant financial and other types of support from the public or private resources in the area in which the

proposed certified technology park will be located.

(B) A business plan exhibiting the economic utilization and availability of resources and a likelihood of successful development of technologies and research into viable business enterprises.

(C) A commitment to the employment of a qualified full-time manager to supervise the development and operation of the business incubator.

(5) The existence of a business plan for the proposed certified technology park that identifies its objectives in a clearly focused and measurable fashion and that addresses the following matters:

(A) A commitment to new business formation.

(B) The clustering of businesses, technology, and research.

(C) The opportunity for and costs of development of properties under common ownership or control.

(D) The availability of and method proposed for development of infrastructure and other improvements, including telecommunications technology, necessary for the development of the proposed certified technology park.

(E) Assumptions of costs and revenues related to the development of the proposed certified technology park.

(6) A demonstrable and satisfactory assurance that the proposed certified technology park can be developed to principally contain property that is primarily used for, or will be primarily used for, a high technology activity or a business incubator.

(b) The department of commerce may not approve an application that would result in a substantial reduction or cessation of operations in another location in Indiana in order to relocate them within the certified technology park.

Sec. 12. A redevelopment commission and the legislative body of the unit that established the redevelopment commission may enter into an agreement with the department of commerce establishing the terms and conditions governing a certified technology park designated under section 11 of this chapter. Upon designation of the certified technology park under the terms of the agreement, the subsequent failure of any party to comply with the terms of the agreement does not result in the termination or rescission of the designation of the area as a certified technology park. The agreement must include the following provisions:

(1) A description of the area to be included within the certified

technology park.

(2) Covenants and restrictions, if any, upon all or a part of the properties contained within the certified technology park and terms of enforcement of any covenants or restrictions.

(3) The financial commitments of any party to the agreement and of any owner or developer of property within the certified technology park.

(4) The terms of any commitment required from an institution of higher education or private research based institute for support of the operations and activities within the certified technology park.

(5) The terms of enforcement of the agreement, which may include the definition of events of default, cure periods, legal and equitable remedies and rights, and penalties and damages, actual or liquidated, upon the occurrence of an event of default.

(6) The public facilities to be developed for the certified technology park and the costs of those public facilities, as approved by the department of commerce.

Sec. 13. (a) If the department of commerce determines that a sale price or rental value at below market rate will assist in increasing employment or private investment in a certified technology park, the redevelopment commission and the legislative body of the unit may determine the sale price or rental value for public facilities owned or developed by the redevelopment commission and the unit in the certified technology park at below market rate.

(b) If public facilities developed under an agreement entered into under this chapter are conveyed or leased at less than fair market value or at below market rates, the terms of the conveyance or lease shall include legal and equitable remedies and rights to assure that the public facilities are used for high technology activities or as a business incubator. Legal and equitable remedies and rights may include penalties and actual or liquidated damages.

Sec. 14. The department of commerce shall market the certified technology park. The department and a redevelopment commission may contract with each other or any third party for these marketing services.

Sec. 15. (a) Subject to the approval of the legislative body of the unit that established the redevelopment commission, the redevelopment commission may adopt a resolution designating a certified technology park as an allocation area for purposes of the

allocation and distribution of property taxes.

(b) After adoption of the resolution under subsection (a), the redevelopment commission shall:

(1) publish notice of the adoption and substance of the resolution in accordance with IC 5-3-1; and

(2) file the following information with each taxing unit that has authority to levy property taxes in the geographic area where the certified technology park is located:

(A) A copy of the notice required by subdivision (1).

(B) A statement disclosing the impact of the certified technology park, including the following:

(i) The estimated economic benefits and costs incurred by the certified technology park, as measured by increased employment and anticipated growth of real property assessed values.

(ii) The anticipated impact on tax revenues of each taxing unit.

The notice must state the general boundaries of the certified technology park and must state that written remonstrances may be filed with the redevelopment commission until the time designated for the hearing. The notice must also name the place, date, and time when the redevelopment commission will receive and hear remonstrances and objections from persons interested in or affected by the proceedings pertaining to the proposed allocation area and will determine the public utility and benefit of the proposed allocation area. The commission shall file the information required by subdivision (2) with the officers of the taxing unit who are authorized to fix budgets, tax rates, and tax levies under IC 6-1.1-17-5 at least ten (10) days before the date of the public hearing. All persons affected in any manner by the hearing, including all taxpayers within the taxing district of the redevelopment commission, shall be considered notified of the pendency of the hearing and of subsequent acts, hearings, adjournments, and orders of the redevelopment commission affecting the allocation area if the redevelopment commission gives the notice required by this section.

(c) At the hearing, which may be recessed and reconvened periodically, the redevelopment commission shall hear all persons interested in the proceedings and shall consider all written remonstrances and objections that have been filed. After considering the evidence presented, the redevelopment commission shall take final action determining the public utility and benefit of

the proposed allocation area confirming, modifying and confirming, or rescinding the resolution. The final action taken by the redevelopment commission shall be recorded and is final and conclusive, except that an appeal may be taken in the manner prescribed by section 16 of this chapter.

Sec. 16. (a) A person who files a written remonstrance with the redevelopment commission under section 15 of this chapter and who is aggrieved by the final action taken may, within ten (10) days after that final action, file with the office of the clerk of the circuit or superior court of the county a copy of the redevelopment commission's resolution and the person's remonstrance against the resolution, together with the person's bond as provided by IC 34-13-5-7.

(b) An appeal under this section shall be promptly heard by the court without a jury. All remonstrances upon which an appeal has been taken shall be consolidated and heard and determined within thirty (30) days after the time of filing of the appeal. The court shall decide the appeal based on the record and evidence before the redevelopment commission, not by trial de novo, and may confirm the final action of the redevelopment commission or sustain the remonstrances. The judgment of the court is final and conclusive, unless an appeal is taken as in other civil actions.

Sec. 17. (a) An allocation provision adopted under section 15 of this chapter must:

(1) apply to the entire certified technology park; and

(2) require that any property tax on taxable property subsequently levied by or for the benefit of any public body entitled to a distribution of property taxes in the certified technology park be allocated and distributed as provided in subsections (b) and (c).

(b) Except as otherwise provided in this section, the proceeds of the taxes attributable to the lesser of:

(1) the assessed value of the taxable property for the assessment date with respect to which the allocation and distribution is made; or

(2) the base assessed value;

shall be allocated and, when collected, paid into the funds of the respective taxing units.

(c) Except as provided in subsection (d), all the property tax proceeds that exceed those described in subsection (b) shall be allocated to the redevelopment commission for the certified technology park and, when collected, paid into the certified

technology park fund established under section 23 of this chapter.

(d) Before July 15 of each year, the redevelopment commission shall do the following:

(1) Determine the amount, if any, by which the property tax proceeds to be deposited in the certified technology park fund will exceed the amount necessary for the purposes described in section 23 of this chapter.

(2) Notify the county auditor of the amount, if any, of excess tax proceeds that the redevelopment commission has determined may be allocated to the respective taxing units in the manner prescribed in subsection (c). The redevelopment commission may not authorize an allocation of property tax proceeds under this subdivision if to do so would endanger the interests of the holders of bonds described in section 24 of this chapter.

(e) Notwithstanding any other law, each assessor shall, upon petition of the redevelopment commission, reassess the taxable property situated upon or in, or added to, the certified technology park effective on the next assessment date after the petition.

(f) Notwithstanding any other law, the assessed value of all taxable property in the certified technology park, for purposes of tax limitation, property tax replacement, and formulation of the budget, tax rate, and tax levy for each political subdivision in which the property is located is the lesser of:

(1) the assessed value of the taxable property as valued without regard to this section; or

(2) the base assessed value.

Sec. 18. (a) A redevelopment commission may, by resolution, provide that each taxpayer in a certified technology park that has been designated as an allocation area is entitled to an additional credit for taxes (as defined in IC 6-1.1-21-2) that, under IC 6-1.1-22-9, are due and payable in May and November of that year. One-half (1/2) of the credit shall be applied to each installment of property taxes. This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district that contains all or part of the certified technology park:

STEP ONE: Determine that part of the sum of the amounts under IC 6-1.1-21-2(g)(1)(A) and IC 6-1.1-21-2(g)(2) through IC 6-1.1-21-2(g)(5) that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part of the county's total eligible property tax

replacement amount (as defined in IC 6-1.1-21-2) for that year as determined under IC 6-1.1-21-4 that is attributable to the taxing district; by

(B) the STEP ONE sum.

STEP THREE: Multiply:

(A) the STEP TWO quotient; by

(B) the total amount of the taxpayer's taxes (as defined in IC 6-1.1-21-2) levied in the taxing district that would have been allocated to the certified technology park fund under section 17 of this chapter had the additional credit described in this section not been given.

The additional credit reduces the amount of proceeds allocated and paid into the certified technology park fund under section 17 of this chapter.

(b) The additional credit under subsection (a) shall be:

(1) computed on an aggregate basis of all taxpayers in a taxing district that contains all or part of a certified technology park; and

(2) combined on the tax statement sent to each taxpayer.

(c) Concurrently with the mailing or other delivery of the tax statement or any corrected tax statement to each taxpayer, as required by IC 6-1.1-22-8(a), each county treasurer shall for each tax statement also deliver to each taxpayer in a certified technology park who is entitled to the additional credit under subsection (a) a notice of additional credit. The actual dollar amount of the credit, the taxpayer's name and address, and the tax statement to which the credit applies must be stated on the notice.

(d) Notwithstanding any other law, a taxpayer in a certified technology park is not entitled to a credit for property tax replacement under IC 6-1.1-21-5.

Sec. 19. (a) The state board of accounts and department of local government finance shall make the rules and prescribe the forms and procedures that the state board of accounts and department of local government finance consider appropriate for the implementation of an allocation area under this chapter.

(b) After each general reassessment under IC 6-1.1-4, the department of local government finance shall adjust the base assessed value one (1) time to neutralize any effect of the general reassessment on the property tax proceeds allocated to the certified technology park fund under section 17 of this chapter.

Sec. 20. (a) After entering into an agreement under section 12 of this chapter, the redevelopment commission shall send to the

department of state revenue:

(1) a certified copy of the designation of the certified technology park under section 11 of this chapter;

(2) a certified copy of the agreement entered into under section 12 of this chapter; and

(3) a complete list of the employers in the certified technology park and the street names and the range of street numbers of each street in the certified technology park.

The redevelopment commission shall update the list provided under subdivision (3) before July 1 of each year.

(b) Not later than sixty (60) days after receiving a copy of the designation of the certified technology park, the department of state revenue shall determine the gross retail base period amount and the income tax base period amount.

Sec. 21. Before the first business day in October of each year, the department of state revenue shall calculate the income tax incremental amount and the gross retail incremental amount for the preceding state fiscal year for each certified technology park designated under this chapter.

Sec. 22. (a) The treasurer of state shall establish an incremental tax financing fund for each certified technology park designated under this chapter. The fund shall be administered by the treasurer of state. Money in the fund does not revert to the state general fund at the end of a state fiscal year.

(b) Subject to subsection (c), the following amounts shall be deposited during each state fiscal year in the incremental tax financing fund established for a certified technology park under subsection (a):

(1) The aggregate amount of state gross retail and use taxes that are remitted under IC 6-2.5 by businesses operating in the certified technology park, until the amount of state gross retail and use taxes deposited equals the gross retail incremental amount for the certified technology park.

(2) The aggregate amount of the following taxes paid by employees employed in the certified technology park with respect to wages earned for work in the certified technology park, until the amount deposited equals the income tax incremental amount:

(A) The adjusted gross income tax.

(B) The county adjusted gross income tax.

(C) The county option income tax.

(D) The county economic development income tax.

(c) Not more than a total of five million dollars ($5,000,000) may be deposited in a particular incremental tax financing fund for a certified technology park over the life of the certified technology park.

(d) On or before the twentieth day of each month, all amounts held in the incremental tax financing fund established for a certified technology park shall be distributed to the redevelopment commission for deposit in the certified technology park fund established under section 23 of this chapter.

Sec. 23. (a) Each redevelopment commission that establishes a certified technology park under this chapter shall establish a certified technology park fund to receive:

(1) property tax proceeds allocated under section 17 of this chapter; and

(2) money distributed to the redevelopment commission under section 22 of this chapter.

(b) Money deposited in the certified technology park fund may be used by the redevelopment commission only for one (1) or more of the following purposes:

(1) Acquisition, improvement, preparation, demolition, disposal, construction, reconstruction, remediation, rehabilitation, restoration, preservation, maintenance, repair, furnishing, and equipping of public facilities.

(2) Operation of public facilities described in section 9(2) of this chapter.

(3) Payment of the principal of and interest on any obligations that are payable solely or in part from money deposited in the fund and that are incurred by the redevelopment commission for the purpose of financing or refinancing the development of public facilities in the certified technology park.

(4) Establishment, augmentation, or restoration of the debt service reserve for obligations described in subdivision (3).

(5) Payment of the principal of and interest on bonds issued by the unit to pay for public facilities in or serving the certified technology park.

(6) Payment of premiums on the redemption before maturity of bonds described in subdivision (3).

(7) Payment of amounts due under leases payable from money deposited in the fund.

(8) Reimbursement to the unit for expenditures made by it for public facilities in or serving the certified technology park.

(9) Payment of expenses incurred by the redevelopment

commission for public facilities that are in the certified technology park or serving the certified technology park.

(c) The certified technology park fund may not be used for operating expenses of the redevelopment commission.

Sec. 24. (a) A redevelopment commission may issue bonds for the purpose of providing public facilities under this chapter.

(b) The bonds are payable solely from:

(1) property tax proceeds allocated to the certified technology park fund under section 17 of this chapter;

(2) money distributed to the redevelopment commission under section 22 of this chapter;

(3) other funds available to the redevelopment commission; or

(4) a combination of the methods in subdivisions (1) through (3).

(c) The bonds shall be authorized by a resolution of the redevelopment commission.

(d) The terms and form of the bonds shall be set out either in the resolution or in a form of trust indenture approved by the resolution.

(e) The bonds must mature within fifty (50) years.

(f) The redevelopment commission shall sell the bonds at public or private sale upon such terms as determined by the redevelopment commission.

(g) All money received from any bonds issued under this chapter shall be applied solely to the payment of the cost of providing public facilities within a certified technology park, or the cost of refunding or refinancing outstanding bonds, for which the bonds are issued. The cost may include:

(1) planning and development of the public facilities and all related buildings, facilities, structures, and improvements;

(2) acquisition of a site and clearing and preparing the site for construction;

(3) equipment, facilities, structures, and improvements that are necessary or desirable to make the public facilities suitable for use and operation;

(4) architectural, engineering, consultant, and attorney's fees;

(5) incidental expenses in connection with the issuance and sale of bonds;

(6) reserves for principal and interest;

(7) interest during construction and for a period thereafter determined by the redevelopment commission, but not to exceed five (5) years;

(8) financial advisory fees;

(9) insurance during construction;

(10) municipal bond insurance, debt service reserve insurance, letters of credit, or other credit enhancement; and

(11) in the case of refunding or refinancing, payment of the principal of, redemption premiums, if any, for, and interest on, the bonds being refunded or refinanced.

Sec. 25. The establishment of high technology activities and public facilities within a technology park serves a public purpose and is of benefit to the general welfare of a unit by encouraging investment, job creation and retention, and economic growth and diversity.

SECTION 188. IC 36-9-14-2, AS AMENDED BY P.L.170-2002, SECTION 167, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 2. (a) A cumulative building fund to provide money for the construction, remodeling, and repair of courthouses may be established by the county legislative body under ~~IC 6-1.1-21.~~ **IC 6-1.1-41.**

(b) As used in this section, "courthouse" includes a historical complex consisting of a former county courthouse, jail, and sheriff's residence which is open to the general public for educational or community purposes in a county having a population of more than one hundred seventy thousand (170,000) but less than one hundred eighty thousand (180,000).

SECTION 189. IC 36-9-31-16 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 16. Any security issued in connection with a financing under this chapter the interest on which is excludable from **adjusted** gross income tax is exempt from the registration requirements of IC 23-2-1, or any other securities registration law.

SECTION 190. IC 4-33-12-6.2 IS REPEALED [EFFECTIVE JULY 1, 2002].

SECTION 191. THE FOLLOWING ARE REPEALED [EFFECTIVE JANUARY 1, 2003]: IC 6-2.1; IC 6-3-2-14; IC 6-3-3-2; IC 6-3-7-1; IC 6-3-7-2.5; IC 6-3-8; IC 6-3.1-6-3; IC 6-3.1-14-4; IC 6-3.1-21-2; IC 6-3.1-21-3; IC 6-3.1-21-4; IC 6-3.1-21-5; IC 6-3.1-21-7; IC 6-3.1-23.8; IC 6-5; IC 6-8.1-1-5.

SECTION 192. [EFFECTIVE JULY 1, 2002] **Notwithstanding IC 6-7-1-14, revenue stamps paid for before July 1, 2002, and in the possession of a distributor may be used after June 30, 2002, only if the full amount of the tax imposed by IC 6-7-1-12, as effective after June 30, 2002, and as amended by this act, is remitted to the**

department of state revenue under the procedures prescribed by the department.

SECTION 193. [EFFECTIVE UPON PASSAGE] **(a) The definitions in IC 6-1.1-1 apply throughout this SECTION.**

(b) 50 IAC 2.3 (including the 2002 Real Property Assessment Manual and the Real Property Assessment Guidelines for 2002–Version A) and any other rule adopted by the state board of tax commissioners or the department of local government finance is void to the extent that it establishes a shelter allowance for real property used as a residence. It is the intent of the general assembly that the standard deduction under IC 6-1.1-12-37 is the method through which any relief that would have been granted through a shelter allowance shall be given to taxpayers.

SECTION 194. [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: **(a) This SECTION applies notwithstanding the repeal of 50 IAC 4.2 and 50 IAC 5.1.**

(b) The definitions in IC 6-1.1-1 apply throughout this SECTION.

(c) 50 IAC 4.3 and 50 IAC 5.2 apply for purposes of property taxes first due and payable in 2003, except as provided in subsection (d).

(d) For purposes of property taxes first due and payable in 2003, the following apply in the assessment of tangible personal property:

(1) The ten percent (10%) of cost assessment provisions of:

(A) 50 IAC 4.2-6-1 for tangible personal property not placed in service; and

(B) 50 IAC 5.1-9-1 for construction in progress.

(2) The thirty-five percent (35%) inventory valuation adjustment in 50 IAC 4.2-5-13 and 50 IAC 5.1-8-1. However, this subdivision does not apply to the valuation of grain as described in 50 IAC 4.2-5-2 or the alternative inventory valuation method as described in 50 IAC 4.2-5-7.

(e) 50 IAC 4.3 and 50 IAC 5.2 are void to the extent they conflict with this SECTION.

(f) In the manner and by the deadlines stated in IC 6-1.1-16-1, the:

(1) township assessor shall make the adjustments required by subsection (d) to the assessments of all property subject to 50 IAC 4.3; and

(2) department of local government finance shall make the adjustments required by subsection (d) to the assessments of

all property subject to 50 IAC 5.1.

(g) The department of local government finance may adopt temporary rules in the manner provided for the adoption of emergency rules under IC 4-22-2-37.1 to implement this SECTION. A temporary rule adopted under this subsection expires on the earliest of the following:

(1) The date that another temporary rule adopted under this subsection supersedes the prior temporary rule.

(2) The date that permanent rules adopted under IC 4-22-2 supersede the temporary rule.

(3) January 1, 2004.

(h) This SECTION expires January 1, 2004.

SECTION 195. [EFFECTIVE DECEMBER 1, 2002] **(a) For purposes of:**

(1) IC 6-2.5-2-2, as amended by this act;

(2) IC 6-2.5-6-7, as amended by this act;

(3) IC 6-2.5-6-8, as amended by this act;

(4) IC 6-2.5-6-10, as amended by this act;

(5) IC 6-2.5-7-3, as amended by this act; and

(6) IC 6-2.5-7-5, as amended by this act;

all transactions, except the furnishing of public utility, telephone, or cable television services and commodities by retail merchants described in IC 6-2.5-4-5, IC 6-2.5-4-6, and IC 6-2.5-4-11, shall be considered as having occurred after November 30, 2002, to the extent that delivery of the property or services constituting selling at retail is made after that date to the purchaser or to the place of delivery designated by the purchaser. However, a transaction shall be considered as having occurred before December 1, 2002, to the extent that the agreement of the parties to the transaction was entered into before December 1, 2002, and payment for the property or services furnished in the transaction is made before December 1, 2002, notwithstanding the delivery of the property or services after November 30, 2002.

(b) With respect to a transaction constituting the furnishing of public utility, telephone, or cable television services and commodities, only transactions for which the charges are collected upon original statements and billings dated after December 31, 2002, shall be considered as having occurred after November 30, 2002.

(c) This SECTION expires July 1, 2004.

SECTION 196. [EFFECTIVE JULY 1, 2002] **(a) The definitions in IC 6-2.3-1, as added by this act, apply throughout this**

SECTION.

(b) The department of state revenue shall adopt the initial rules and prescribe the initial forms to implement IC 6-2.3 (utility receipts tax), as added by this act, before December 1, 2002. The department of state revenue may adopt the initial rules required under this SECTION in the same manner that emergency rules are adopted under IC 4-22-2-37.1. A rule adopted under this SECTION expires on the earlier of the following:

(1) The date that the rule is superseded, amended, or repealed by a permanent rule adopted under IC 4-22-2 or another rule adopted under this SECTION.

(2) July 1, 2004.

(c) IC 6-2.3, as added by this act, applies to taxable years beginning after December 31, 2002, and to short taxable years described in subsection (d).

(d) This subsection applies to a taxpayer that was doing business in Indiana during a taxable year determined under the Internal Revenue Code for federal income tax purposes that:

(1) begins before January 1, 2003; and

(2) ends after December 31, 2002.

The initial taxable year for a taxpayer under IC 6-2.3, as added by this act, is a short taxable year. Notwithstanding IC 6-2.3-1-11, as added by this act, the initial taxable year of a taxpayer under IC 6-2.3, as added by this act, begins January 1, 2003. The initial taxable year of the taxpayer ends on the day immediately preceding the day that the taxpayer's next taxable year under the Internal Revenue Code begins. The tax imposed under IC 6-2.3, as added by this act, for the initial taxable year of the taxpayer is equal to the tax computed under IC 6-2.3-2, as added by this act, for the taxpayer's full taxable year under the Internal Revenue Code multiplied by a fraction. The numerator of the fraction is the number of days remaining in the taxpayer's taxable year after December 31, 2002, and the denominator is the total number of days in the taxable year under the Internal Revenue Code for the purposes of federal income taxation.

SECTION 197. [EFFECTIVE JULY 1, 2002] **(a) This SECTION applies to a taxpayer that:**

(1) was subject to the supplemental net income tax under IC 6-3-8 before January 1, 2003; and

(2) has a taxable year that begins before January 1, 2003, and ends after December 31, 2002.

(b) A taxpayer shall file the taxpayer's estimated supplemental

net income tax return and pay the taxpayer's estimated supplemental net income tax liability to the department of state revenue as provided by law for due dates that occur before January 1, 2003.

(c) Not later than April 15, 2003, a taxpayer shall file a final supplemental net income tax return with the department of state revenue on a form and in the manner prescribed by the department of state revenue. At the time of filing the final supplemental net income tax return, a taxpayer shall pay to the department of state revenue an amount equal to the remainder of:

(1) the total supplemental net income tax liability incurred by the taxpayer for the part of the taxpayer's taxable year that occurred in calendar year 2002; minus

(2) the sum of:

(A) the total amount of supplemental net income taxes that was previously paid by the taxpayer to the department of state revenue for any quarter of that same part of the taxpayer's taxable year; plus

(B) any supplemental net income taxes that were withheld from the taxpayer for that same part of the taxpayer's taxable year.

SECTION 198. [EFFECTIVE JANUARY 1, 2003] **The repeal of IC 6-2.1 by this act applies only to taxable years beginning after December 31, 2002.**

SECTION 199. [EFFECTIVE JULY 1, 2002] **(a) This SECTION applies to a taxpayer that:**

(1) was subject to the gross income tax under IC 6-2.1 before January 1, 2003; and

(2) has a taxable year that begins before January 1, 2003, and ends after December 31, 2002.

(b) A taxpayer shall file the taxpayer's estimated gross income tax return and pay the taxpayer's estimated gross income tax liability to the department of state revenue as provided in IC 6-2.1-5-1.1 for due dates that occur before January 1, 2003.

(c) Not later than April 15, 2003, a taxpayer shall file a final gross income tax return with the department of state revenue on a form and in the manner prescribed by the department of state revenue. At the time of filing the final gross income tax return, a taxpayer shall pay to the department of state revenue an amount equal to the remainder of:

(1) the total gross income tax liability incurred by the taxpayer for the part of the taxpayer's taxable year that

occurred in calendar year 2002; minus

(2) the sum of:

(A) the total amount of gross income taxes that was previously paid by the taxpayer to the department of state revenue for any quarter of that same part of the taxpayer's taxable year; plus

(B) any gross income taxes that were withheld from the taxpayer for that same part of the taxpayer's taxable year under IC 6-2.1-6.

SECTION 200. [EFFECTIVE JULY 1, 2002] **(a) This SECTION applies to a corporate taxpayer that:**

(1) pays adjusted gross income tax under IC 6-3-1 through IC 6-3-7; and

(2) has a taxable year that begins before January 1, 2003, and ends after December 31, 2002.

(b) The rate of the adjusted gross income tax imposed under IC 6-3-2-1 for that taxable year is a rate equal to the sum of:

(1) three and four-tenths percent (3.4%) multiplied by a fraction, the numerator of which is the number of days in the taxpayer's taxable year that occurred before January 1, 2003, and the denominator of which is the total number of days in the taxable year; and

(2) eight and five-tenths percent (8.5%) multiplied by a fraction, the numerator of which is the number of days in the taxpayer's taxable year that occurred after December 31, 2002, and the denominator of which is the total number of days in the taxable year.

(c) However, the rate determined under this SECTION shall be rounded to the nearest one-hundredth of one percent (0.01%).

SECTION 201. [EFFECTIVE JANUARY 1, 2003] **IC 6-2.3, as added by this act, applies to taxable years beginning after December 31, 2002.**

SECTION 202. [EFFECTIVE JULY 1, 2002] **(a) IC 6-3.1-4-6, as amended by this act, applies to expenditures made after December 31, 2002, regardless of when the taxpayer's taxable year begins.**

(b) IC 6-3.1-4-1, IC 6-3.1-4-2, IC 6-3.1-4-3, and IC 6-3.1-4-4, all as amended by this act, apply only to taxable years beginning after December 31, 2002.

(c) IC 6-3.1-4-1, IC 6-3.1-4-2, IC 6-3.1-4-3, and IC 6-3.1-4-4, all as effective before the amendments made by this act, apply to taxable years beginning before January 1, 2003.

SECTION 203. [EFFECTIVE JULY 1, 2002] **(a) This SECTION**

applies to the following credits and deduction:

(1) The standard deduction under IC 6-1.1-12-37.

(2) Increased homestead credits under IC 6-1.1-20.9-2.

(b) The deduction and credits under subsection (a) initially apply to property taxes first due and payable in 2003.

SECTION 204. [EFFECTIVE JULY 1, 2002] **The legislative services agency shall prepare legislation for introduction in the 2003 session of the general assembly to make conforming changes to statutes, as needed, to reconcile the statutes with this act.**

SECTION 205. [EFFECTIVE JULY 1, 2002] **IC 4-33-12-1, IC 4-33-13-1, and IC 4-33-13-1.5, each as added or amended by this act, apply to admissions occurring and receipts received after June 30, 2002.**

SECTION 206. [EFFECTIVE JANUARY 1, 2003] **IC 6-1.1-10-29 and IC 6-1.1-10-29.5, both as amended by this act, initially apply to assessment dates in calendar year 2003 and property taxes first due and payable in calendar year 2004.**

SECTION 207. [EFFECTIVE JULY 1, 2002] **IC 6-3.1-24, as added by this act, applies to taxable years beginning after December 31, 2003.**

SECTION 208. [EFFECTIVE JANUARY 1, 2003] **(a) IC 6-1.1-12-41, as added by this act, applies to inventory assessments in assessment years beginning after December 31, 2002, and ending before January 1, 2007.**

(b) This SECTION expires January 1, 2008.

SECTION 209. [EFFECTIVE UPON PASSAGE] **(a) Notwithstanding P.L.291-2001, SECTION 38, the appropriation from the build Indiana fund FOR THE BUDGET AGENCY, twenty-first century research and technology fund for the biennium is zero dollars ($0) and not fifty million dollars ($50,000,000).**

(b) There is appropriated to the twenty-first century technology research and technology fund from the state general fund fifteen million dollars ($15,000,000) for the period beginning July 1, 2002, and ending June 30, 2003. The appropriation made by this section does not revert to the state general fund at the end of any state fiscal year.

(c) There is appropriated to the twenty-first century technology research and technology fund from the state general fund fifteen million dollars ($15,000,000) for the period beginning July 1, 2003, and ending June 30, 2004. The appropriation made by this section does not revert to the state general fund at the end of any state

fiscal year.

SECTION 210. [EFFECTIVE JULY 1, 2002] **(a) For property taxes first due and payable in 2003:**

(1) a county treasurer who mails a property tax statement under IC 6-1.1-22-8(a)(1) shall include in or mail with the statement:

(A) the following statement:

"Your assessing officials have completed a general reassessment of all real property in the county. The reassessment was necessary to comply with Indiana law. The Indiana General Assembly has increased the property tax replacement credit and made other changes to the property tax system to substantially reduce the effects that this reassessment may have on your property tax liability."; and

(B) a comparison of:

(i) the amount of the taxpayer's property tax liability; and

(ii) the amount that the taxpayer's property tax liability would have been had this act not been enacted by the general assembly; and

(2) a county treasurer who transmits a statement to a person's mortgagee under IC 6-1.1-22-8(a)(2) shall, at the time the county treasurer mails statements under IC 6-1.1-22-8(a)(1), mail or cause to be mailed to the last known address of the person:

(A) the statement referred to in subdivision (1)(A); and

(B) the comparison referred to in subdivision (1)(B).

(b) This SECTION expires December 31, 2003.

SECTION 211. **An emergency is declared for this act.**

Speaker of the House of Representatives

President of the Senate

President Pro Tempore

Approved: _____

Governor of the State of Indiana